

UNITED NATIONS DEVELOPMENT PROGRAMME

**Programme for the Caribbean Regional Technical Assistance Center
Programme Support Document**

PSD number: RLA/00/002
PSD title: Strengthening Economic and Financial Management
Estimated start date: 7/01/01
Estimated end date: 6/30/04

Management arrangements: IMF Execution
Designated institution: Ministries of Finance,
 Central Banks & Statistical
 Agencies

Summary of UNDP and cost-sharing inputs

UNDP: \$200,000
 Cost-sharing: \$10,531,430
 of which, administrative &
 operational Services: \$1,234,589

Parallel Financing
 IMF: \$2,664,000
 CDB: \$ 300,000

Total program inputs: \$13,695,430

Government inputs: (local currency)
 \$600,000 (total, from all countries)

Classification Information

ACC sector & sub-sector: 200/220
DCAS sector & sub-sector: Economic Management / Fiscal Policy and
 Planning
Primary areas of focus/sub-focus: Promoting Sound Governance/
 Enhancement of Macroeconomic Management
Primary type/sub-type of intervention: Capacity Building / Institution
 Building
Secondary type/sub-type of intervention: Direct Support / Operational
 Assistance
Primary target beneficiaries: Ministries of Finance, Central Banks, Tax
 Authorities, Customs Authorities, Central Statistical Offices

Brief description: The technical assistance programme provides advice and training in fiscal, monetary, financial, and related statistical areas to countries of the Caribbean region through advisory missions of a small team of experts based in the region, a series of short-term consultancy assignments, in-country workshops, regional training seminars, and attachments of national staff to sister organizations in the region. Functional areas include budget and treasury management; tax and customs policy and administration; banking and offshore financial sector supervision; and balance of payments; and national accounts, money and banking, and GFS statistics. Flexibility of coverage and activities is incorporated in order for the project to respond to priority needs as they arise.

<u>On behalf of:</u>	<u>Signature</u>	<u>Date</u>	<u>Name/Title</u>
IMF	_____	_____	_____
UNDP	_____	_____	_____
GOVERNMENTS	_____	_____	_____

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

Dominican Republic _____

I. REGIONAL PROGRAM

A. Analysis of the Situation

Background

The Caribbean countries present a unique combination of diversity and similarities.¹ There are significant differences as regards population (ranging from over 9 million in the Dominican Republic and about 7 million in Haiti to 2.5 million for Jamaica, just over 100,000 for Antigua and Barbuda, 40,000 for St. Kitts and Nevis, and less than 20,000 for the overseas dependent territories) and per capita income (ranging from US\$20,000 in the Bahamas, about US\$3,500 for Dominica and Grenada, to only US\$566 in Haiti). However, the countries share many common characteristics—very open economies, limited diversity in production, and dependent on tourism and/or a few export commodities sold, in many cases, in protected markets. Most of the economies are vulnerable to changes in external markets and severe shifts in trade and are prone to natural disasters such as hurricanes.

The countries, with few exceptions, have enjoyed considerable economic and social stability and a standard of living that compares favorably with the rest of Latin America. After a difficult period in the 1980s, economic performance in the region improved markedly in the 1990s as real GDP growth picked up, inflation declined, and the fiscal and external positions strengthened markedly. The increase in economic growth over the period was, however, not sufficiently robust to make a meaningful dent in fairly high rates of unemployment.

All the countries in the region have taken significant steps to strengthen macroeconomic management and have benefited from technical assistance in the area of fiscal reform and monetary management. However, donors have been hard-pressed to meet the long list of technical assistance requests, a significant part of which could not be provided when needed. Moreover, in several cases when such assistance was provided, the approaches used have produced less than optimum results and benefits derived have not been sustainable.

The regional development issues to be addressed

The increasing integration of the region in the global economy has created a number of challenges that must be addressed if the countries are to achieve faster and more sustainable growth and social progress. The economic strategy increasingly shared by all of these countries recognizes the need for the strengthening of macroeconomic stability and the acceleration of structural reforms to increase the growth potential. Inter alia, the strategy calls for:

¹ Anguilla, Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, British Virgin Islands, Cayman Islands, and Turks and Caicos.

- Increasing public sector savings so as to help finance the expansion of social and infrastructure investment in a noninflationary way. In most cases this will require countries to reform their tax systems, increase the efficiency of tax administration, and exercise expenditure restraint.
- Strengthening financial markets and improving financial sector efficiency so as to reduce financing costs and spur private sector investment.
- Other reforms in the area of trade liberalization, privatization and labor market flexibility.
- Poverty alleviation measures, including the creation of social safety nets.

The economic strategy puts a premium on improvements in economic and financial management, the quality of which is constrained in most cases by a shortage of technical and institutional capacity and weaknesses in the statistical base. The problem is exacerbated by the inability of most governments to retain skilled staff in the public service. Experience has shown that regional approaches, where feasible, offer significant advantages to addressing limited capacity in small states and the recent report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States strongly urges multilateral institutions and other donors to reinforce their services by encouraging and supporting regional cooperation in capacity building.

Despite the major reforms that have been undertaken by most of the countries in the region, a number of issues still remain to be addressed:

- (i) The effective use of government resources is hampered by weak budgetary and accounting procedures and legislative framework, lack of integration of budgeting and planning processes, inefficient use of scarce personnel arising from rigid institutional structures, as well as diseconomies in the operation of public sector enterprises.
- (ii) Tax systems are generally inefficient both in their administration and their distributional effects, resulting in revenue loss and distortions in resource allocations. Revenue and customs departments are unable to cope with changes in the business environment because of inadequate laws, weak organization structures and limited management capabilities.
- (iii) Changes in the international financial environment, including in the offshore sector, have challenged the appropriateness of the current regulatory framework and the capacity of supervisory agencies to conduct prudential surveillance. In many of the smaller states, the financial market (including domestic commercial banking operations) is largely undeveloped, thus limiting opportunities for expansion in savings, investment and trade.
- (iv) In addition, countries need to improve their statistical bases to facilitate the identification of vulnerabilities so as to help forestall problems.

Measurable indicators

The project is directed at achieving sustainable improvements in macroeconomic management that will lead to increased domestic savings, investment, output and employment. The attainment of this objective will depend on demonstrated improvements in budget planning and execution, tax administration and tax systems, the quality of economic and social statistics, and the regulatory and supervisory framework for the financial system. In the short to medium term, it is expected that the activities undertaken will lead to timely and accurate macroeconomic data and an efficient financial surveillance system.

Previous experiences and lessons learned

During the latter half of the seventies and the mid-eighties, two major initiatives for improving fiscal and economic management were undertaken in the OECS. During the earlier period, the Inter-Agency Resident Mission (IARM) established with IBRD support, provided technical assistance to OECS states in macro-economic planning and management. In the latter period, USAID financed a Public Management and Policy Planning Project (PMPP) to assist with technical support those countries of the OECS that engaged in fiscal reform. Recently (1993–2000), the Eastern Caribbean Economic Management Project (ECEMP) funded by CIDA has been engaged in fiscal reform in the OECS. In addition, a number of international institutions and donors have contributed direct assistance to individual countries to strengthen management and improve tax and financial systems.

In general, most of these initiatives succeeded in achieving their immediate objectives, but in many instances the results have not been sustained due to weak institutional capacity and a lack of commitment to, and ownership of, reform programs, especially those initiated externally. Based on available evidence, the ECEMP program has been particularly successful, in part because of the attention given to capacity building and project ownership. CARTAC is expected to work particularly closely with the ECEMP program and to extend the benefits obtained by the OECS countries to the wider region.

A number of lessons can be drawn from these earlier initiatives:

- (i) Sustainable reform requires a well-trained public service equipped with reliable and timely data, capable of responding to frequent changes in domestic and external environment.
- (ii) Capacity building through appropriate technical and management training and the involvement of regional experts is essential for sustained improvements in public sector management.
- (iii) Ownership through effective regional participation in the formation and implementation of projects and general understanding and support for the objectives to be achieved are important for the success of these technical assistance programs.
- (iv) Regional approaches to implementing reforms have proven to be cost-effective and sustainable where the exchange of mutually supportive skills are

involved, and where the assistance is provided within a clear policy framework to guide priorities for technical assistance interventions.

- (v) The regional technical assistance vehicle must provide sufficient flexibility for participating countries to advance at varying speeds.

B. Outline of the Regional Program

The development objective

To address the development issues outlined above, the UNDP, the International Monetary Fund, and partner donor agencies will assist participating countries to improve their current practices in the areas of budget management, tax policy and administration, financial sector supervision and regulation, and the compilation and dissemination of basic statistics. At the same time, the project will provide for a wide range of training activities to support efforts in areas such as the design and implementation of public sector investment programs (PSIPs), financial programming, and in budget accounting and analysis. The project will contribute to ongoing efforts to establish economic stability and growth with significant improvements in social indicators. It would also support current initiatives aimed at strengthening the regional integration process.

Specifically, the project focuses on strengthening tax administration and budget management so as to increase public sector savings to help finance economic and social infrastructure and to contain public debt within manageable limits; to enhance capacity for policy formulation and investment planning through major improvements in the scope, quality and timeliness of economic and social statistics; and to strengthen the regulatory and supervisory regimes of the participating countries so as to bring them more in line with international norms.

A number of on-going initiatives presently support reforms in fiscal administration, economic planning, financial market development and management information systems as well as basic statistics. Notwithstanding these initiatives, significant administrative and technical capacity gaps remain. The project will provide complementary support especially in the area of institution strengthening and policy implementation capacity and will work with and through existing institutions so as to ensure sustainability of reforms.

Strengthening capacity to manage fiscal and monetary reforms would greatly facilitate countries' efforts to achieve the objectives and targets outlined in their medium-term economic strategies. In particular, improved budget management will result in greater efficiency in the allocation and use of resources, and can lead to improvements in public services, higher levels of investment in social and economic infrastructure and an effectively managed public debt. At the same time, a more efficient tax system and better revenue administration will lead to increased revenues, enhanced private sector efficiency and growth in private savings and investments. The availability of more reliable statistics should support enhancements in public sector policy formulation, and improvements in decision-making and risk management in the private sector, leading to more efficient resource allocation and higher output levels. Reforms in the regulatory framework and better prudential supervision will strengthen confidence in the financial system, stimulate private savings, and expand financial sector intermediation with consequential growth in private investments. In addition, economic vulnerability will be reduced as capacity for effective financial sector supervision/regulation—including of the rapidly expanding offshore sector—is enhanced.

Beneficiaries

The immediate beneficiaries of the technical assistance program described herein are the government agencies responsible for macroeconomic policy formulation and implementation, including the ministries of finance, the central banks, the tax authorities, the customs authorities, and the central statistical organizations, and the business sector (through more accurate and timely economic data and some specific training).

More broadly, however, all segments of the population will benefit from the program, through the government's enhanced capacity for economic and financial management, and consequential growth and expansion in output and employment. Improved policy administration will allow better targeting of resources toward development priorities, in particular basic social services. A better and well-trained civil service would increase public confidence in the government as well as improve responses to changes in the domestic and external environments.

Major sub-programs or components

The program is divided into four main functional sub-programs each of which is subdivided into operative components.

Public expenditure management

This subsector will improve the capacity of authorities to transparently manage and control the expenditure of public funds, and manage and monitor domestic and external debt. Countries with weak budgetary, cash management and accounting systems will be assisted to improve their capability in budget formulation and expenditure control. This includes enhancing program-oriented budget systems already in place; updating and enabling the regulatory legislation; strengthening the links between planning and budgeting (including the preparation of PSIP); and improving capacity for better planning, financial programming and macroeconomic decision-making. The technical support provided in this area will also serve to increase the transparency of fiscal accounting systems and help to promote better governance.

Tax and customs administration

This subsector will strengthen the capacity of the authorities to improve the efficiency and yield of the tax system. The program will assist ministries of finance to formulate and implement tax reform measures and to strengthen tax administration procedures. Countries will be assisted to examine existing tax structures and to introduce measures to broaden the tax base, improve the efficiency of existing taxes and rationalize tax exemptions and concessions, and design and implement new IT tools that can contribute to these objectives. In the context of trade liberalization, assistance will be given to review existing tariff regimes and to identify new potential revenue sources, including the introduction and administration of VAT.

Financial sector management

This subsector will mainly assist the authorities to strengthen prudential regulations and banking supervision, including offshore banking, and enhance the capacity for financial

analysis and reporting. Capacity will be strengthened for prudential supervision of commercial banks and other financial services, including the establishment of regular reporting systems and on-site and off-site inspection and audit systems. Technical assistance will also be provided to foster development and integration of the regions' capital market.

Compilation of economic statistics

This subsector will enhance the capacity of the authorities to collect, compile, analyze, and disseminate balance of payments, money and banking, and national accounts statistics in order to support economic policy decision-making, as well as to provide critical data for private sector investment decisions. Countries will also be assisted to develop appropriate social indicators to help in the formulation of policies directed at poverty alleviation.

Institutional arrangements

The project will be managed from a regional center established in one of the participating countries. The center will have a Steering Committee to be made up of officials of participating governments, regional institutions, and donors. The Steering Committee will oversee the policy framework for the center, determine and direct its priorities and approve the center's six-monthly and annual work plans.²

A review committee comprising the executing agency (The Fund), the UNDP, representatives of participating countries and donors, will meet annually to review the progress of the center. The center will be staffed by a full-time coordinator (a Fund staff member), an economist (from regional institutions) who will work with the coordinator, and four long-term experts in budget management, tax administration, financial sector supervision and regulation, and social and economic statistics. The coordinator will provide leadership and direction in administering the project's activities and maintaining effective relationships with the participating countries and donor and regional agencies. Fund's technical assistance departments and WHD will provide backstopping to ensure quality control and adherence to international standards. The UNDP will provide administrative and logistical support through its field office and its Regional Bureau for Latin America and the Caribbean located at headquarters.

The center will establish a roster of experts—including from within the region—to be engaged from time to time as visiting advisors. These advisors will serve to deepen and broaden the range of specialized advice, while reducing the burden of recruitment and administration.

Funding

The funding requirements for the technical assistance program by major component and activities are set forth in the Program Budget. The UNDP will meet the cost of administrative support. In addition to UNDP funds, cost-sharing contributions will be provided by the Fund and the donor community. The Fund will provide parallel-financing for the project

² The Steering Committee will work closely with other TA providers (particularly CIDA and DFID) to coordinate work programs.

coordinator, advisory missions from headquarters, and backstopping with headquarters support. The donor community and countries in the region will meet the cost of international experts, consultants and an economist (salaries, benefits, travel, per diem, etc.) as well as funding for seminars, courses, professional attachments, office space, and the running of the center (equipment, communications, etc.).

C. Capacity Requirements and Assessment

The program targets the existing administrative capacity within the key economic and functional institutions of the governments. To assist in capacity building, emphasis will be given to increased training of government officials. Training programs will be designed to ensure maximum transfer of know-how, which may include examinations for certification of completion. The program will support the transfer of knowledge and skills through selective attachments within the region. Government officials will be asked to participate in the formulation of training programs.

Most of the countries involved have taken significant steps to strengthen macroeconomic management and have benefited from technical assistance. The approaches used so far have produced less than optimum results and the benefits derived have not been sustainable, partly because donor initiatives to some extent have been uncoordinated thus far.

Public expenditure management

Recent reforms in budget systems and procedures have contributed to considerable gains in fiscal stabilization. However, further progress is needed to implement performance budgeting and to establish mechanisms to ensure effective monitoring and control of expenditures. There is urgent need to enhance capacity to make realistic revenue and expenditure projections, introduce better monitoring and reporting systems, develop quantitative targets for performance evaluation, and improve the link between the planning and budgeting processes. The countries have benefited from substantial assistance in project preparation and appraisal, but critical deficiencies remain in areas such as the integration of the public sector investment program with the budget and the debt management system, as well as in effective system for monitoring the PSIP.

Tax and customs administration

In a number of countries, tax and customs systems are well developed. However, in several cases the movement towards trade liberalization and the desirability of reducing the disincentive effects of current tax systems have created a need to review the tax regime and strengthen tax administration so as to improve tax efficiency and elasticity. Modern customs administrative procedures have been introduced in a number of countries, but enforcement is hampered by outdated legislation; and customs authority is being challenged on constitutional and legal grounds. Furthermore, the increasing incidence of undervaluation and smuggling continue to reduce the revenue potential. In addition, rent-seeking in the form of tax and duty concessions incurs substantial revenue losses. Trade facilitation is also hampered by a lack of capacity to manage new systems and maintain international standards. In a few cases where the ASYCUDA system is in use, there is urgent need to enhance its functionality, provide technical support for the system and train management and staff to use it effectively.

Financial sector management

The rapid pace of financial liberalization in the region has brought about an urgent need to bring accounting, regulatory and supervisory regimes in line with international standards. Furthermore, the increasing importance of non-bank financial institutions in the intermediation process requires better regulatory and supervisory control. The rapidly expanding offshore financial sector also requires strengthened prudential regulation and supervision. There is a critical need for expanding training to improve the effectiveness of financial sector supervision.

Production of statistics for economic policy-making

A major improvement in the scope, quality, and timeliness of economic and social statistics is needed to support more effective policy formulation and to help the private sector play its part in economic development. In many cases, the paucity of statistics also acts as a serious impediment to Fund surveillance. The principal areas that need to be strengthened are the national accounts, balance of payments and social sector statistics. Enhancing statistics on services is particularly important, and ensuring that statistics meet international standards and definitions. Some countries have also sought assistance to develop statistical measures of economic activity in the informal sector, and to strengthen statistical programs to produce macro-prudential indicators in light of the deepening and growing complexity of the regional financial markets.

Despite considerable improvements in recent years, critical gaps exist in the compilation of debt statistics, particularly in the area of short-term and private sector debt. A similar situation exists in the compilation and analysis of social statistics, especially in household expenditure surveys and poverty assessment surveys.

II. STRATEGY AND OBJECTIVES FOR SUPPORT

A. Policy Framework

The increasing integration of the region in the global economy as well as persistent problems of high unemployment and low growth in output and investments have created a number of challenges that must be addressed to accelerate growth and social progress.

Governments of the Caribbean region have been engaged in major structural reforms aimed at macroeconomic stability to increase their growth potential, with measures to increase domestic savings, strengthen financial markets, expand trade liberalization, and increase labor market flexibility. In support of this strategy, governments have been proceeding on major capacity-building efforts with a direct focus on budget management, tax and expenditure policies, tax administration, customs administration, monetary management, trade and tariff policies, civil service reform and privatization of public enterprises. Governments' efforts have been supported by a number of donors through technical assistance programs started in the 1970s. Significant assistance has been provided by, inter alia, the World Bank, IMF, UNDP, CIDA, DFID, EU, France, IDB, CDB, CARICOM, OAS, USAID, GATT/WTO, ILO, the Republic of China and others.

The proposed program of assistance is consistent with the strategy indicated above and seeks to deepen and consolidate complementary ongoing initiatives, so as to further develop and strengthen national and regional capacities for macroeconomic and financial management for economic growth.

B. Strategy for Use of Resources

The program will focus on a limited range of needs that are common to the region, that lend themselves to hands-on support and that, in many cases, will help to consolidate the gains from technical assistance that is currently planned or is on-going. It is expected that the project will contribute to the integration of the region and will support ongoing efforts designed to address poverty alleviation through employment generation. Specifically, the project will contribute to the enhanced management of public resources; improved tax and customs collection; the creation of a sound financial system; and improved economic statistics.

C. Program Support Objectives, Outputs and Activities

Four Program Support Objectives (PSO) have been established, corresponding to the four areas identified as needing technical assistance: public expenditure management; tax and customs administration; financial sector management; and compilation of economic and social statistics.

III. PROGRAM SUPPORT OBJECTIVE 1

A. Improved Public Expenditure Management Capacity

Objective

The objective is to strengthen fiscal administration through improving the budget process and establishing effective monitoring and control of expenditures.

Time frame, resources, and measurable indicators

Although progress has been made in implementing modern systems for budget management, critical gaps remain in key areas such as the integration of operational and development budgets (including closer coordination with public sector investment programs), the analysis and forecasting of revenue and expenditure, the development of quantitative targets for performance evaluation, and the design of appropriate legal framework for budget management. While Treasury operations have also been upgraded with modernized electronic systems for payments and accounting, deficiencies exist in the capacity to analyze and use financial data generated by the systems. Training needs include budget analysis, financial programming, expenditure projections, and budget formulation and execution (including linkages with PSIP).

It is, therefore, proposed that one long-term expert be appointed to the center over a three-year period to provide hands-on assistance in the areas indicated; and that short-term experts be assigned from time to time as required to work in the related specialized areas. The expected results include more transparent and efficient programming of public expenditure,

better policy analysis, and more reliable forecasting of revenue and expenditure to help in medium-term budgetary planning.

Target beneficiaries

The immediate beneficiaries will be the staff of the budget and planning departments as well as budget officials in line ministries. However, the expected impact of this subprogram will enhance governments' overall capacity for providing basic economic and social services to the population of the region as cost-effectively as possible. Improved budget and revenue management analysis will assist in policy formulation.

IV. PROGRAM SUPPORT OBJECTIVE 2

A. Strengthened Capacity for Tax and Customs Administration

Objectives

The objective of this subprogram is to strengthen tax administration and help countries in their efforts at tax reform—including the simplification of the tax system and the introduction of new taxes to compensate for reduction in trade taxes. Identification of additional, and enhanced, means of revenue collection will be considered. At the same time, the subprogram will help to rationalize investment incentives so as to bring tax and customs administration in line with international standards.

Time frame, resources and measurable indicators

While countries in the region have made good progress in recent years in implementing tax and customs administration reform, there is an urgent need to further enhance efficiency in revenue analysis, planning and projections, broadening the tax structure and strengthening the linkages between departments for more effective coordination, particularly in the exchange of tax information. It is, therefore, proposed in the program to appoint a long-term expert to the center over a three-year period and to assign short-term consultants in special areas as needed. Training and attachments of personnel in the participating countries will be utilized to build capacity to implement and sustain the changes needed. The expected indicators of results will be modern and efficient tax and customs systems.

Target beneficiaries

The immediate beneficiaries will be the staff of the revenue departments and ministries of finance. However, the expected results will enhance governments' capacity for economic and financial management.

V. PROGRAM SUPPORT OBJECTIVE 3

A. Strengthened Monetary and Financial Sector Management

Objectives

The objective of this subprogram is to assist in the development of the region's financial market, and in the establishment of prudential regulation and supervision of financial institutions, including offshore financial services, so as to support financial stability.

Timeframe, resources and measurable indicators

Much progress has been made in improving the region's capacity to regulate and supervise the operations of financial institutions. However, financial systems in some countries can be characterized as fragile and vulnerable, particularly in the context of the financial liberalization that has been taking place in the region. There is an urgent need to update legislation for effective supervision of financial services, including the offshore sector; and to improve prudential surveillance, risk assessment and management, resolution of insolvency issues, bank accounting standards, public debt monitoring and management, financial reporting, capital market development and integration, and enhancing monetary policy. The program supports the assignment of two long-term bank regulation and supervision expert over a period of three years (one to be dedicated for offshore financial activities), and the associated assignment of short-term experts to assist in various areas of specialty as and when needed. Training and attachments to successful regional institutions will be utilized to build capacity on a sustainable basis. The expected indicators of results include improved surveillance of the financial sector, improvements in banking operations and financial reporting, enhanced operations of the region's capital market, comprehensive and timely data for reviewing policy options, and trained central banking personnel.

Target beneficiaries

While the immediate beneficiaries will be staff of central banks and, in some cases, private banks, the results obtained will establish a sound, secure and well-monitored financial environment.

VI. PROGRAM SUPPORT OBJECTIVE 4

A. Strengthened Capacity to Produce Statistics for Economic Policy-Making

Objectives

The objective is to enhance the capability to compile and disseminate on a timely basis reliable national accounts, balance of payments, and social statistics. Also, the project will aim at further strengthening countries' ability to compile external debt statistics. The improvement and availability of data will support better public policy formulation and private sector planning and decision-making.

Timeframe, resources, and measurable indicators

Many of the larger countries of the region have made significant progress in preparing national accounts and balance of payments statistics. However, there is a need to develop production indicators, statistical measures of economic activity in the informal sector, statistical data on international investment and financial flows as well as to strengthen statistical programs to produce macro-prudential indicators in the light of the deepening and growing complexity of regional capital markets. In general, there is urgent need for assistance to enhance: basic aspects of national accounts preparation, including the use of

SNA 93; and balance of payments accounting, including improving data on trade in services, preparation of trade indices and quarterly reports. To develop capacity on a sustainable basis, training needs have been identified to include national accounts compilation, balance of payments compilation and analysis, general statistics methodologies, and GDDS. It is proposed that a statistics expert be assigned to the center over a three-year period to provide hands-on assistance and training and that provision be made for short-term visits by experts and consultants in specialized areas (such as social sector statistics and expenditure surveys). The expected indicators of results include comprehensive, reliable and timely national accounts and balance of payments reports, accurate and timely monthly price data, and reliable trade data.

Target beneficiaries

The immediate beneficiaries will be the staff of the statistics departments. However, the capacity of participating governments for economic and financial management will be enhanced. Moreover, increased availability and transparency of economic data will assist in better risk assessment and decision-making by the private sector.

B. Management

Role and responsibilities

The program will be executed by the IMF with day-to-day management overseen by the resident program coordinator who will be a staff member of the IMF. The Steering Committee will be instrumental in reviewing and contributing to the rolling six-month work plan, and will meet twice a year, or more frequently if necessary, to guide the work of the Center. The program coordinator will work closely with all bilateral and multilateral development partners to ensure smooth integration of related technical assistance work being undertaken in the region.

Coordination mechanism

The Steering Committee—composed of officials of participating governments, regional institutions, and cost-sharing partners—will be responsible for setting the strategic direction of the Center, and will meet to review six-monthly work plans, ensuring that the program stays on track as envisaged to achieve its goals and outputs. The Steering Committee will delegate day-to-day program implementation responsibilities to the program coordinator. Work plans—including visits by the long-term experts of the Center, short-term assignments by experts, advisory missions, and the training and secondment program—will be approved at the six-monthly meetings of the Steering Committee. The program coordinator will serve as Secretary to the Committee.

It is envisaged that the Committee will be comprised of: one representative from each of the cost sharing partners; one representative from CARICOM; one representative from Haiti and the Dominican Republic on a rotating basis; one representative from the OECS countries on a rotating basis; one representative from Barbados, Trinidad and Tobago, Guyana, and Jamaica on a rotating basis; and one representative from all other countries on a rotating basis. Rotation of participation would be on an 18 month cycle, thus representatives would attend three Steering Committee meetings before relinquishing their post. Representatives of the ECCB and the University of the West Indies will be invited to attend as observers.

Program management unit

A Program Support Unit for the Center will be housed at the UNDP, and will be responsible for the logistics and procurement of training venues, travel of experts and training participants, equipment procurement, payment of appropriate allowances, etc.

C. Monitoring, Evaluation, and Review

The program will be subject to an annual joint review by representatives of governments, UNDP, IMF, and cost-sharing partners. Other donors would be invited to attend as appropriate. The program coordinator (assisted by the UNDP resident representative) will convene these tripartite reviews (TPRs). The program coordinator, with appropriate consultation, will prepare the rolling six-monthly work plan and the Annual Program Report (APR) to be circulated to the Steering Committee, participating donors, and the CARICOM Council of Finance and Planning (COFAP) ministers.

Monitoring schedule

IMF staff, on a monthly basis, will monitor the work of each long- and short-term expert. The expert will submit to the responsible IMF technical backstopper a monthly report for comment and guidance, as necessary. Work on social sector statistics will be backstopped by the CDB. In practice, experts will stay in touch with their backstoppers on a regular basis, and they will also undertake periodic inspection visits to hold discussions with the country officials.

Evaluation mechanism

The Program will also be subject to evaluation in accordance with UNDP and Fund policy and procedures.

Adjusting objectives, inputs, outputs, and activities

Objectives, inputs, outputs, and activities will be adjusted in light of the discussion at the annual review meeting. However, they may be adjusted at other times during the year if consensus is reached on the proposed adjustment.

Updating the work plan and budget

Revisions to the work plans can be proposed at any time by the governments, the expert, or by IMF staff. All concerned parties should be given an opportunity to comment on the proposed revision.

D. Risk and Prior Obligations

The risks and steps taken to minimize them

As with all technical assistance, the primary risk is the loss of trained personnel to more lucrative employment opportunities. To minimize the impact of such losses, the program will attempt to institutionalize, document, and solidify standard processes, procedures, and systems to permit the passage of operations to successor staff. Also, the system of regional attachments would serve, on a temporary basis, to minimize the impact of a sudden loss of critical personnel.

Conditions to begin support

Signature of the program support document by governments and UNDP, and signature of the standard letter of agreement between the governments and the IMF as the United Nations Executing Agency, are prerequisites for the commencement of program implementation.

E. Legal Context

This program support document shall be the instrument referred to as the project document.

Table 1. Objectives, Outputs and Monitoring Indicators		
	Objectives and Output	Monitoring Indicators
Codes	Description	
	PSO 1	
T01	Improved Public Expenditure Management Capacity	
01	Implementation of budget formulation, execution, and monitoring consistent with GFS standards.	Subprograms for PPBS, quantitative targets for performance evaluation and redefined budget cycle and processes developed and implemented
		Operational and development budgets fully integrated and system for management of PSIP in place.
		System for analysis and forecasting revenue and expenditure complete and operational.
		Budget management units fully established.
		Appropriate legal framework for budget management drafted and approved for implementation.
		Training in budget principles, performance budgeting, preparation of business plans, budget cycle management and execution, budget analysis, expenditure monitoring, expenditure projections, and financial programming designed and conducted.
02	Implementation of measures to improve Treasury operations in the areas of accounting, financial reporting and data analysis.	Systems to analyze and classify financial data to GFS and GDDS developed and implemented.
		Accounting and financial management systems reviewed and recommendations made for improvements; manual of government accounting standards prepared and disseminated to participating governments.
		Model revised financial laws and regulations drafted and approved for implementation.
		Training in public finance, financial management for non-financial managers, fiscal analysis and forecasting, forecasting cash flows and planning short-term investments, general accounting standards, financial management and accounting for line managers and preparation and interpretation of financial statements designed and conducted.

Table 1. Objectives, Outputs and Monitoring Indicators		
	Objectives and Output	Monitoring Indicators
Codes	Description	
03	Implementation of improved system for the management of the public sector investment program.	Needs assessment for strengthening planning units completed.
		New systems for project planning and development, project appraisal, project weighting and prioritization and PSIP management developed and implemented.
		Systems for macroeconomic and policy analysis, macro-management and programming developed and implemented.
		Training in project cycle management, database development and management, project appraisal and development and evaluation, PSIP management, sector analysis, forecasting and modeling, macroeconomic strategy and policy analysis, and investment negotiation and identification of appropriate loan conditions, designed and conducted.
04	Development of social safety net policies and programs.	Targeted programs and policies for poverty alleviation developed.
		Framework for small business culture and entrepreneurial education designed for implementation.

	PSO 2	
T02	Strengthened Capacity for Tax and Customs Administration	
01	Reform of tax policy and legislation	Tax policy reform and fundamental design criteria, roles of direct/indirect taxes, VAT, place of fiscal incentives, revenue forecasting, respective roles of tax administration and Ministry of Finance or Treasury in policy development, legislative framework including simplification and plain language drafting, binding rulings.
	Modernization of tax administration (including VAT, excise, income tax and property tax)	Organizational structure and design. Relationship between the domestic tax agency and Customs, design of appropriate organizational structure, linkage to strategic planning, accountabilities and spans of control, role of large taxpayer unit, etc.
		Taxpayer Information Services. Review of the importance of customer service, balance between service and enforcement, methods of delivering service, measurement regimes including surveys, complaints management, educational and publicity activities.
		Processing. The processing of returns and payments, role of the administration and contracting out possibilities, centralized vs. distributed processing, computerization.
		Overdue debt and stopfilers. Identification of defaulters, methods of pursuing, sanctions, legislative powers, automated systems support.
		Taxpayer audit. Importance of a comprehensive compliance strategy, case selection systems and available support packages, auditing techniques.
		Serious fraud and international issues. Tax avoidance, major tax fraud, criminal fraud, money laundering, transnationals, treaties, transfer pricing, thin capitalization, etc.
		Objection processes. Sanctions for noncompliance, objection process, and litigation management.

		Management and supervisory. Quality management, performance evaluation, management information systems, importance of standardized instructions, codes of conduct, internal audit, internal and external reporting, implementation design (including VAT), resource management and reporting, risk management systems.
02	Modernization of Customs Policy and Administration	Customs reform and modernization diagnostic studies completed.
		Revised customs legislation drafted.
		1999 Harmonized System (HS) implemented in all countries.
		World Trade Organization valuation system (GATT Valuation Code) fully operational in all countries.
		Enhanced import and export processing procedures implemented based self-declaration, limited face-to-face contacts, documentary and physical controls based on risk, and post-release controls supported by audit. The procedures will include better control of manifests, valuation support, and improved accounting.
		Computerization of import and export processing procedures fully operational in all countries. This will include enhancements to ASYCUDA in those countries using the system and linkage of the customs computer systems to the trade statistics system Eurotrace.
		Training in customs legislation, import and export processing procedures, post-release controls and audit, customs valuation (GATT valuation code), data analysis to support investigations and fraud detection, risk analysis, control of exemptions, and management.

	PSO 3	
T03	Strengthened Capacity for Monetary and Financial Sector Management	
01	Enhanced system for regulation and supervision of financial institutions	Measures to strengthen capacity for domestic and offshore bank supervision, including where needed, establishment of International Services Regulatory Board, fully implemented.
		Review of banking legislation to identify inconsistencies with other relevant statutes and drafting of regulations and orders under banking acts, completed and approved for implementation.
		Systems to improve supervision of financial sector (including insurance services), resolution of insolvency issues in the financial sector, risk assessment and management as well as to modernize the regulatory and supervisory framework for the broader financial market, designed and implemented.
		Standardized chart of accounts for banks and non-banks designed and implemented.
		Training in domestic and offshore banking supervision, insurance supervision and guidelines and training to support supervision under money laundering legislation, designed and conducted.
02	Enhanced central bank operations and accounting	Regulatory and supervisory framework for financial sector modernized and best practice assessments instituted.
		System for monitoring public debt and managing government securities enhanced and automated.
		Central bank accounts and financial reporting structures, including introduction of fair value accounting, enhanced and automated.
		Training in the use of monetary tools and in globalization and external sector issues designed and conducted.

03	Strengthened monetary management	Legislation related to treasury bills, bonds and securities updated, and capacity for management of capital market instruments and open market operations enhanced.
		Framework for effective monetary policy developed.
		System for measurement of interest rate risk put in place.
		A framework for the integration of regulatory agencies developed.
		Training in macroeconomic analysis and financial programming designed and conducted.

	PSO 4	
T04	Enhanced compilation of economic statistics	
01	Provision of reliable and timely national accounts data.	Review of roles of statistics office, central bank and ministry of economic development completed.
		System for compilation of national accounts, including use of SNA 93, review of components, preparation and use of supply/user tables, collection and coordination of data, improved estimating for services sector, improved techniques for measuring foreign direct investments, basic indices for output measurement designed and implemented.
		Training in compilation, analysis and forecasting of national accounts designed and conducted.
02	Provision of reliable and timely balance of payments data.	Measures to improve collection and analysis of trade data including introducing consistent base, more accurate recording of import data, services and tourism statistics, preparation of trade indices and quarterly reports.
		Interface between ASYCUDA and Eurotrace for statistical analysis implemented.
		Training in compilation of BOP data and codification of trade data.
03	Provision of reliable price, employment and social indices	Systems and methodologies to compile and analyze social statistics including labor and household expenditure surveys, retails and wholesales price indexing, and to enhance response rate to questionnaires, designed and fully implemented.
		Training in household expenditure survey data analysis.
04	Enhancement of institutional framework and capacity for statistics administration	Review of structures of statistics units completed.
		Measures instituted to identify private sector/business needs and compile data on supply aggregate demand.
		Training programs designed and conducted in general statistical methodologies, including survey, sampling and analysis; general analysis of macroeconomic data; techniques of data dissemination; use of software products for data analysis; development of GDDS; and planning and development of statistics projects.

JOB DESCRIPTION

Post Title: CARTAC Project Coordinator

Duration: Three years

Date Required:

Duty Station: CARTAC headquarters office

Purpose of Position: To coordinate the work of the CARTAC, assisting participating countries with the strengthening of fiscal, monetary and statistical operations.

Duties: The project coordinator will be responsible, in cooperation with the functional departments and Western Hemisphere Department of the IMF, and in consultation with participating member countries and the project Steering Committee for the operations of the CARTAC. He will liaise with the funding agencies of the center and help to organize meetings of the project Steering Committee and Tripartite reviews of the project.

The coordinator will ensure that advisors of the CARTAC are responsive to the needs of participating countries, and that there is consistency and continuity of advice delivered in a cost efficient manner. He will ensure that advisors are familiar with the economic strategies of participating countries, and that emphasis is given to development of human capacity and institution-building throughout project activities.

The coordinator will maintain regular contact with authorities of participating countries, keeping them informed of the activities of the CARTAC, discussing technical assistance needs, and facilitating visits of advisors.

Qualifications: Technical, administrative and managerial experience in areas of macroeconomics. Familiarity with the functional specialties of the IMF including tax, customs, expenditure management, monetary policy, bank supervision, and macro-economic statistics.

Language: Strong competency in written and oral English. Ability to operate in Spanish and/or French would be an asset.

JOB DESCRIPTION

Post Title: Budget Advisor, CARTAC.

Duration: One year, with possible extension to three years.

Date Required:

Duty Station:

Purpose of Position: To assist the participating governments of CARTAC to improve their current practices in budget management and to build sustainable capacity in the ministries of finance in budget formulation, public expenditure accounting and control and treasury and cash management operations.

Duties: The budget advisor will be responsible for:

- (i) Assisting in the establishment of improved procedures for budget planning, preparation, and execution by promoting the use of macroeconomic budget framework, integration of current and capital expenditures, a policy-relevant budget structure, a classification system that provides meaningful information on economic, functional, and program analyses of government operations, and the application of output/performance budgeting, where appropriate;
- (ii) Assisting in the development of a well-functioning cash management system, allowing the regular and timely determination of cash requirement of the public sector; this will integrate the financing flows from foreign aid disbursements, including grants, and the discharge of debt service based on updated maintenance of debt registers and registers of contingent liabilities;
- (iii) Advising on, and helping in the implementation of, an appropriate accounting system and a system of financial reporting by taking into account the level of computerization and personnel and technical resources capable of using and supporting those systems;
- (iv) Assisting in the establishment of improved procedures for audit and evaluation of public financial management operations;
- (v) Advising on changes in the legislative and institutional framework to facilitate the achievement of the above;
- (vi) Encouraging the adoption of a culture of open reporting on government activities, and strengthening the authorities' commitment to transparency and accountability as necessary requirements for successful reforms in the CARTAC countries;
- (vii) Providing technical support and advice in the reform of public enterprises, civil service reforms, and other reforms needed to rationalize the use of public resources; and

- (viii) Providing on-the-job training and organizing in-country and regional workshops, seminars, and attachment schemes for the practical training of officials at regional institutions and counterpart government facilities, where appropriate.

Qualifications: Technical and administrative expertise in planning, budgeting, accounting and expenditure control procedures, with experience in program and performance budgeting and treasury operations. Experience in training methods is desirable. Knowledge of computer systems would be an advantage.

Language: Strong written and oral English. Ability to operate in Spanish and/or French will be an asset.

JOB DESCRIPTION

Post Title: Tax Administration Advisor, CARTAC.

Duration: One year, with possibility of extension to three years.

Date Required:

Duty Station:

Purpose of Position: To assist the participating governments of CARTAC to improve their current practices in tax administration and tax systems and to provide the technical and institutional skills necessary to create well-managed systems and procedures in tax and customs administration.

Duties: The Tax Administration Advisor will be responsible for:

- (i) assisting the authorities with advice and guidance to formulate and implement tax reform measures;
- (ii) assessing the need for and assisting the authorities with the design and implementation of effective tax and customs administration systems;
- (iii) assisting the authorities with advice and guidance to improve the efficiency of existing taxes and rationalize tax exemptions and concessions;
- (iv) in the context of trade liberalization, assisting the authorities to review existing trade tariffs and identify new potential revenue sources, including the introduction of VAT;
- (v) providing on-the-job training and organizing in-country workshops, regional seminars and attachment schemes for practical training of officials at regional institutions and counterpart government facilities where appropriate;
- (vi) assessing the need for and assisting in the selection of short-term consultants for specialized training and technical tasks.

Qualifications: Technical and administrative expertise in VAT, sales tax, income tax and customs and excise tax administration. A broad range of tax administration experience and familiarity with ASYCUDA system highly desirable. Prior experience in training methods is important.

Language: Strong competency in written and oral English. Ability to operate in Spanish and/or French will be an asset.

JOB DESCRIPTION

Post Title: Financial Sector Advisor, CARTAC.

Duration: One year, with possibility of extension to three years.

Date Required:

Duty Station:

Purpose of Position: To assist the participating countries to improve their current practices in financial sector supervision and regulation and to provide the technical and institutional skills necessary to create effective and well-managed financial sector regulation and supervision.

Duties: The Banking Supervision Advisor will be responsible for:

- (i) assisting the authorities with advice and guidance to implement measures to enhance the intermediary role of the banking system and to take the necessary steps to support development and integration of the regional capital market;
- (ii) assisting the authorities with advice and guidance to implement measures to strengthen capacity for financial services supervision;
- (iii) assisting to implement system for prudential supervision of commercial banks and other financial services, including the establishment of regular reporting systems and on-site and off-site inspection and audit operations;
- (iv) providing on-the-job training and organizing in-country workshops, regional seminars and attachment schemes for practical training of officials at regional institutions and counterpart government facilities where appropriate;
- (v) assessing the need for, and assisting in, the selection of short-term consultants for specialized training and technical tasks.

Qualifications: Experience, including supervisory position, in central banking and bank supervision agency employing modern practices and procedures in bank supervision. Extensive knowledge of regulation and supervision technologies is required. Experience in training methods is desirable.

Language: Strong competency in written and oral English. Ability to operate in Spanish and/or French will be an asset.

JOB DESCRIPTION

Post Title: Statistics Advisor, CARTAC.

Duration: One year, with possible extension to three years.

Date Required:

Duty Station:

Purpose of Position: To assist participating governments to improve their current practices in the compilation and dissemination of basic statistics and to provide the technical and institutional skills necessary to produce timely, reliable and comprehensive national accounts, and balance of payments statistics that are consistent with other macroeconomic data.

Duties: The Statistics Advisor will be responsible for:

- (i) assisting the authorities with advice and guidance to implement measures to improve the collection, compilation, analysis and dissemination of balance of payments, national accounts, GFS and money and banking statistics;
- (ii) assisting the authorities with advice and guidance to implement measures to promote transparency and wider participation in the collection and use of economic and social statistics;
- (iii) assisting with the implementation of measures to provide critical data for private sector investment and business decisions;
- (iv) assisting with the development of appropriate social indices suitable for facilitating policy formulation aimed at poverty alleviation;
- (v) providing on-the-job training and organizing in-country workshops, regional seminars and attachment schemes for practical training of officials at regional institutions and counterpart government facilities where appropriate.
- (vi) assessing the need to and assisting in the selection of short-term consultants for specialized training and technical tasks.

Qualifications: Technical and operational expertise in balance of payments statistics and national accounts (including experience with the 1993 System of National Accounts). Knowledge of survey and analysis methodologies is required. Experience with designing and conducting training is desirable.

Language: Strong competency in written and oral English. Ability to operate in Spanish and/or French will be an asset.

JOB DESCRIPTION

Post Title: Offshore Financial Activities Advisor

Duration: One year, with possibility of extension to three years.

Date Required:

Duty Station:

Purpose of Position: To assist participating countries in strengthening their regulation and supervision of the offshore financial sector, enhancing the legal framework as needed, and building adequate capacity within the staff responsible for supervision.

Duties: The offshore financial activities advisor will be responsible for:

- (i) providing advice and guidance to country authorities on required changes to the legal framework for the supervision of the offshore sector;
- (ii) assisting country authorities with the implementation of measures to strengthen supervision;
- (iii) assisting with the establishment of regular reporting based on international standards and norms;
- (iv) providing guidance and training on on-and off-site supervision of the offshore sector;
- (v) assisting with the provision of on-the-job training and organization of in-country and regional seminars and attachments at counterpart government facilities;
- (vi) assisting in the selection and supervision of short-term experts in related areas of specialty.

Qualifications: Experience in regulation and supervision of the offshore financial sector, and thorough knowledge of internationally accepted standards and norms.

Language: Strong competency in written and oral English. Ability to communicate in Spanish and/or French would be an asset.