



# **Program Document**

**CARTAC Phase V**

**January 2017 – April 2022**





## Executive Summary

The Barbados-hosted Caribbean Regional Technical Assistance Center (CARTAC) is one of the IMF's network of regional technical assistance centers (RTACs), which are a partnership between the IMF, development partners, and member countries. CARTAC provides hands-on Capacity Development (CD)—comprising technical assistance (TA) and training—in economic and financial management to 20 countries and territories (further referred to as “members”) in the region.<sup>1</sup> CARTAC aims to assist its member countries in strengthening their tax and customs administrations, public financial management, financial sector, economic statistics and macroeconomic analysis.

Entering its fifth phase (2017-2022) CARTAC remains a much needed resource in the Caribbean, as the region continues to address the aftermath of the global and regional financial crises, low growth and fiscal imbalances. The Phase V program aims to support countries in their efforts to undertake fiscal consolidations, and increase domestic resource mobilization to create fiscal space to implement their own development programs and attain the Sustainable Development Goals. This Program Document outlines CARTAC's role in addressing these challenges through its multi-year programs. This Program Document also draws on lessons learned from previous phases, the external evaluation conducted in Phase IV and feedback from stakeholders during a June 2015 Stakeholder event, and outlines a strategy for capturing and communicating CARTAC's results.

The work of the Center is implemented by a core team of resident advisors (covering public financial management, revenue administration, macroeconomic statistics and analysis, as well as financial sector stability and supervision), complemented by short-term expertise, regional seminars, internships, and attachments of officials to partner institutions in the region and beyond. CARTAC works in close collaboration with development partners and regional organizations in support of CARICOM's Single Market and Economy initiative, and the Eastern Caribbean Central Bank.

CARTAC is funded jointly by its development partners, member countries and multilateral organizations. Financing consists of cash contributions from partners and members, and in-kind contributions from the host country Barbados, and the IMF. As with Phase IV, CARTAC Phase V will be administered by the IMF through the CARTAC trust fund, operated in line with IMF policies and procedures.<sup>2</sup> Authority for the strategic direction of the Center rests with the Steering Committee, which comprises the IMF, and representatives of member countries and development partners. Based on analysis of delivery and absorption capacity, as well as stakeholder feedback on CARTAC priorities, the estimated financing need for Phase V is US\$69 million, comprising contributions from members, the host country (Barbados), the IMF and development partners.

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<sup>1</sup> The 20 countries and territories served by CARTAC are: Anguilla, Antigua and Barbuda, The Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, and Turks and Caicos Islands.

<sup>2</sup> Enhancing the Impact of IMF Technical Assistance, IMF Board paper April 3, 2008. <http://www.imf.org/external/np/pp/eng/2008/040308a.pdf>

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### **List of Abbreviations**

AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
BOP/IIP	Balance of Payments/International Investment Position
BPM6	Balance of Payments and International Investment Position Manual, sixth edition
CAR	Capital Adequacy Ratio
CARADEM	Caribbean Association of Debt Managers
CARICOM	Caribbean Community and Common Market
CARTAC	Caribbean Regional Technical Assistance Center
CC	Center Coordinator
CCLEC	Caribbean Customs Law Enforcement Council
CCMF	Caribbean Center for Money and Finance
CCS	Caribbean Community Secretariat
CD-PORT	Capacity Development Portal
CDIS	Coordinated Direct Investment Survey
COA	Chart of Accounts
COMSEC	Commonwealth Secretariat
CPI	Consumer Price Index
CSBP	Corporate Strategic Business Plans
CVO	Classification, Valuation and Origin
DFID	Department for International Development
DPM	Design, Planning and Management
DTI	Deposit Taking Institution
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
ECDPG	Eastern Caribbean Development Partners Group
ECLAC	Economic Commission for Latin America and the Caribbean
EPA	Economic Partnership Agreement
FAD	Fiscal Affairs Department
FMC	Financial Management in the Caribbean
FPW	Field Person Weeks
FSI	Financial Stability Indicators
FSS	Financial Sector Supervision
FTA	Fiscal Transparency Assessment
FY	Fiscal Year
GARFIN	Grenada Authority for the Regulation of Financial Institutions
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
HRM	Human Resource Management
HWI	High Wealth Individual
ICD	Institute for Capacity Development
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
KPI	Key Performance Indicator

LEG	Legal Department of the IMF
LMTO	Large and Medium Taxpayers Office
LTO	Large Taxpayers Office
LTX	Long term expert
MCM	Monetary and Capital Markets Department
MFPU	Macroeconomic Fiscal and Policy Unit
MOOC	Massive Online Open Course
MTBF	Medium-Term Budgetary Framework
MTDS	Medium-Term Debt Strategy
MTFF	Medium-Term Fiscal Framework
NAS	National Accounts Statistics
NPL	Non-Performing Loan
NSO	National Statistical Office
OECS	Organization of Eastern Caribbean States
P-FRAM	Public Procurement Fiscal Risk Assessment Model
PCA	Post-Clearance Audit
PEFA	Public Expenditure and Financial Accountability (Framework)
PFM	Public Financial Management
PIT	Personal Income Tax
PRASC	Project for Regional Advancement of Statistics in the Caribbean
RA-FIT	Revenue Administration Fiscal Information Tool
RA-GAP	Revenue Administration Gap Analysis Program
RBS	Risk Based Supervision
RFSR	Regional Financial Stability Report
RSS	Real Sector Statistics
RTAC	Regional Technical Assistance Center
SARA	Semi-Autonomous Revenue Authority
SB	Statutory Bodies
SC	Steering Committee
SEMCAR	Supporting Economic Management in the Caribbean
SIDS	Small Island Developing States
SIFI	Systemically Important Financial Institution
SIGTAS	Standard Integrated Government Tax Administration System
SNA	System of National Accounts
SOE(s)	State Owned Enterprise(s)
STA	Statistics Department
STX	Short-term expert
SUT	Supply Use Tables
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TAPA	Tax Administration Procedures Act
TPD	Tax Policy Division
TSA	Treasury Single Account
UNDP	United Nations Development Program
UNSD	United Nations Statistics Division

UWI	University of the West Indies
WCO	World Customs Organization
WHD	Western Hemisphere Department
WTO	World Trade Organization

## I. BACKGROUND AND ACHIEVEMENTS

### A. What Does CARTAC Do?

1. **The IMF’s Regional Technical Assistance Centers (RTACs)<sup>3</sup> are a collaborative effort between the IMF, the member countries, and development partners.** The Centers’ strategic goal is to strengthen the member countries’ institutional capacity to design and implement sound macroeconomic and financial policies. The RTACs are an important way of delivering effective, efficient, and responsive IMF Capacity Development (CD) – comprising Technical Assistance (TA) and training – in the field.
2. **CARTAC combines strategic CD advice from IMF headquarters (HQ) with regionally-based expertise.** Broad CD needs and priorities to support macroeconomic stability and growth are identified by the IMF’s Western Hemisphere Department (WHD), IMF HQ departments,<sup>4</sup> and country authorities. All CD is integrated and coordinated with the core lending and surveillance operations of the IMF, as well as coordinated with that of other providers. Resident Advisors develop close working relations with country authorities, and thus familiarity with national and regional TA needs. CARTAC also deploys short-term experts to deliver targeted TA to complement the work of the Resident Advisors, and builds regional human capital through TA-related training, internships, and attachments, as well as an annual training program (run by ICD), to address skills gaps in the region.
3. **CARTAC’s policies and procedures are aligned with the IMF’s network of RTACs, and the Center leverages the IMF’s considerable knowledge resources.** Initially established in 2001 as a joint United Nations Development Program (UNDP) – IMF initiative, CARTAC became part of the IMF’s network of nine RTACs in 2011. The transition was formalized with the signing of a memorandum of understanding on June 1, 2015 between Barbados and the IMF for the continued hosting of CARTAC into Phase V, and possibly beyond. CARTAC has now harmonized its management systems and procedures with those of the IMF and other RTACs, and is working towards alignment with broader development practices such as Results Based Management (RBM). CARTAC also benefits from quality control of its outputs through the IMF’s review process (‘backstopping’) to ensure compliance with international good practices, and is subject to an external evaluation at the mid-point of each financing cycle.
4. **CARTAC’s governance model reflects a partnership between stakeholders.** CARTAC is guided by a Steering Committee (SC) consisting of representatives from financial contributors to the Center, namely the member countries, development partners, and the IMF. The SC facilitates the design and monitoring of CARTAC’s CD programs on an ongoing basis. A Center Coordinator (CC) oversees the day-to-day operations of the center, including preparation of the work plan in close collaboration with member countries and other stakeholders. This

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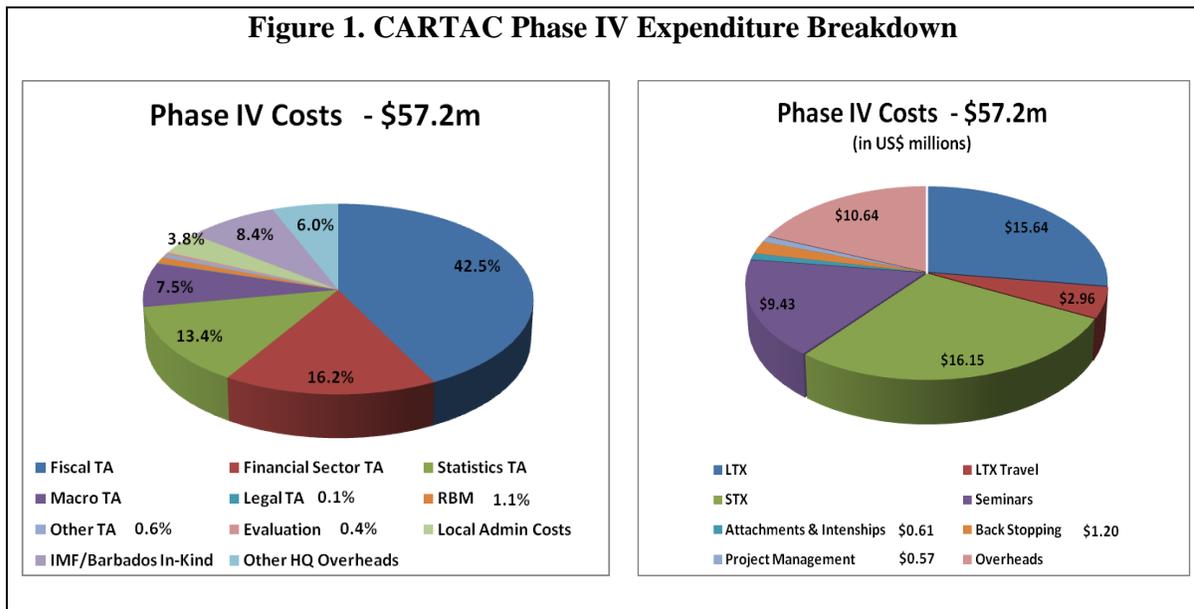
<sup>3</sup> <https://www.imf.org/external/np/exr/facts/afritac.htm>

<sup>4</sup> Fiscal Affairs Department (FAD), Institute for Capacity Development (ICD), Legal Department (LEG), Monetary and Capital Markets (MCM), and Statistics Department (STA).

model allows for the needs and priorities of member countries to be reflected in the center’s work, and allows CARTAC to respond to changing priorities as they emerge; in Phase IV to address the global and regional crises, and in Phase V, to *inter alia* create fiscal space to support countries’ efforts to meet the Sustainable Development Goals (SDGs), and to spur economic growth.

## B. CARTAC CD Delivery—Phase IV

5. By the end of Phase IV (December 2016), total expenditure is expected to reach **\$57.2 million—a gradual scaling-up given initial financing uncertainties**, and reaching an optimal steady state in FY16 (May to April).<sup>5</sup> The largest costs are salary and overheads for experts – both long and short term, organizing training workshops/seminars, and facilitating internships and attachments (approximately 80 percent). In the final three years of Phase IV, around 1,570 field person weeks (FPW) were delivered, with 406 FPWs delivering approximately one hundred (mostly regional) workshops and seminars. Fiscal topics accounted for around half of the activities delivered. Around 18.5 percent of the total budget envelope comprised costs for running the CARTAC office, (CC and local staff), as well as HQ functions (finance, security, human resources, and trust fund management). These latter costs are met from a combination of the trust fund management fee,<sup>6</sup> in-kind contributions from the Barbados government as CARTAC host and the IMF, amounting to 8.4 percent of the total budget.



<sup>5</sup> Average monthly CARTAC expenditures rose from around US\$0.5m in FY12, to US\$0.7 in FY13, US\$0.9 in FY14, to just over US\$1.0m in FY16, an optimal annual activity level expected to be maintained in Phase V.

<sup>6</sup> Amounting to 7 percent of partner and member contributions, but 6 percent of the total budget envelope.

6. **External partner contributions of US\$ 46.6 million<sup>7</sup> accounted for 81.5 percent of total Phase IV costs.** Contributions from member countries scaled up from US\$20,000 in the first year, reaching US\$100,000 in the final two years, a total contribution of US\$ 350,000 per country—approximately 10 percent of total funds. In-kind contributions from Barbados for office facilities and from the IMF for the coordinator and certain overheads comprised the balance.

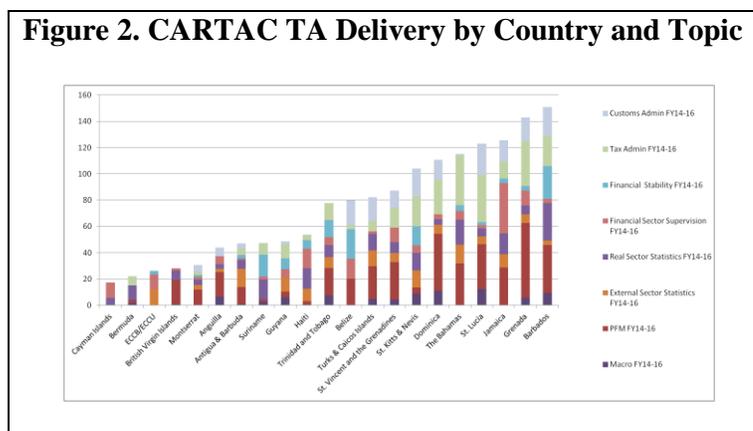
**Table 1. Development Partner Contributions to CARTAC Phase IV**

Development Partner	Phase IV Contribution (US\$ million)
Australia	6.6
Canada	20.1
Caribbean Development Bank	1.0
European Union	7.04
United Kingdom	11.9
<b>Total</b>	<b>46.6</b>

Source: Institute for Capacity Development.

7. **Distribution of CD delivery by member changed over time, in line with reform priorities.** From a beneficiary perspective, member countries can be approximately categorized as relatively intensive, moderate, or intermittent users of CARTAC services. This changed over time as reform priorities emerged and were addressed. Figure 2 outlines CD delivered by country and topic, and shows a clustering of major users undergoing intensive reform efforts (e.g. Grenada and Jamaica with respect to IMF programs, Barbados and St. Lucia relating to own initiatives, and the Bahamas for VAT implementation). Annex I contains data broken down by country and topic.

**Figure 2. CARTAC TA Delivery by Country and Topic**



<sup>7</sup> Canada provided US\$ 20.1 million, the United Kingdom US\$ 11.8 million, US\$ 7.5 million from the European Union, US\$ 6.6 million from Australia, and US\$ 1 million from the Caribbean Development Bank (CDB).

### C. CARTAC Achievements–Phase IV

8. **Against a challenging backdrop, CARTAC generated positive results across all its intervention areas in Phase IV (Annex II).** In particular, CARTAC:

- Assisted member countries in achieving a level of ‘core’ PFM competence, as measured by Public Expenditure and Financial Accountability (PEFA) assessments;
- Launched a cross-cutting macroeconomic program that has helped strengthen the analytical skills and tools for officials who provide advice to policy makers;
- Supported three countries in the implementation of new Value Added Tax (VAT) regimes and supported considerable reforms in revenue administration, leading to increased revenues in those countries;
- Laid the groundwork for enabling countries to meet the Basel II standards, and launched a new financial stability program to reduce risks of future financial crises thus helping to identify and manage risks in the financial sector;
- Increased the timeliness and quality of statistical outputs, in particular GDP and balance of payments, and;
- Bolstered regional policy analysis and policy making capacities through a graduate internship program, and supported peer-to-peer experience sharing through attachments between member administrations.

9. **CARTAC assistance was critical not only for members to pursue ongoing reform initiatives, but also to weather the harsh economic circumstances, in resource-constrained conditions.** The Caribbean was heavily impacted by the global economic crisis given its small size, diseconomies of scale, limited economic diversity and reliance on the economic conditions in its key trading partners. Expectations of regional economic growth and development were severely curtailed by global events before and throughout Phase IV. While earlier optimistic expectations (e.g., for growth, fiscal performance) were not realized, calamitous outcomes such as a major collapse of the financial sector or revenue collections were averted. CARTAC’s flexibility allowed it to respond in a holistic way to country and regional level challenges. Box 1 illustrates the role of CARTAC support to St. Lucia over Phase IV, reflecting various reform efforts similarly pursued individually or collectively in various member countries.

### Box 1. CARTAC—A Holistic Approach to Economic Governance in St. Lucia

During Phase IV, CARTAC assisted St. Lucia's medium-term priorities of supporting fiscal consolidation through revenue mobilization, expenditure rationalization, and structural fiscal reforms, as well as strengthening statistics, and implementation of Basel II and financial sector risk based supervision (RBS).

**Improving capacity for economic surveillance:** St. Lucia's GDP forecasting methodologies were unnecessarily time consuming, and at times methodologically incorrect. CARTAC's macroeconomic program worked with a small team of economists at the Ministry of Finance's Research and Policy unit to introduce a framework using high frequency economic data to provide for quarterly updates of economic projections for the coming three years, thus providing more timely updates on the fiscal position to the Government of St. Lucia.

**Enhancing revenue collection:** CARTAC delivered a comprehensive pre-VAT implementation program leading to the successful launch of VAT in October 2012. Revenue collections from taxes on goods and services rose by 40 percent, from 7 percent of GDP (2011) to more than 10 percent (2014). The focus then shifted to VAT compliance management, while complementary customs administration TA focused on policies and practical support to ensure successful VAT collection on imports and export monitoring. With the VAT stable, efforts turned to restructuring the Inland Revenue Department (IRD) to integrate VAT operations into the IRD mainstream, including for direct taxes. The reorganization strengthened headquarters functions and restructured field operations. More recent TA is supporting the implementation of tax policy recommendations for income and property taxes, and plans are advancing to introduce a presumptive tax for small business.

**Improving PFM:** St. Lucia's budget preparation process lacked tools to assist decision makers to apply fiscal discipline; the budget was not couched in a medium-term framework, and there was little budget policy formulation, or understanding of what current or additional spending would achieve in terms of outcomes. Since 2013, St. Lucia has made commendable progress in implementing its Strategic Budget Reforms. Multi-year estimates, based on the rolling forward estimates methodology are now fully embedded into the budget process, and the 2015/16 budget will again present program and performance information. In addition, the 2015/16 annual budget estimates will be presented using the new Government Finance Statistics (GFS) based budget classification. A diagnostic mission helped develop a framework for monitoring St. Lucia's SOEs, which is strongly supported by the Prime Minister and Finance Minister.

**Improving External Sector Statistics:** CARTAC is working with the Statistics Department and the ECCB to produce balance of payments (BOP) accounts for St. Lucia according to the latest internationally accepted guidelines (BPM6), and to produce the first international investment position (IIP) accounts for the country and sub-region. Although a recent initiative, achievements include: a work plan developed, staff and compilers trained, survey instruments developed, respondents trained, and a survey conducted. Data have now been collected, processed, and published in early 2016.

10. **PFM systems have been strengthened** in a number of member countries where CARTAC has focused on 'core PFM' issues. PEFA assessment trends indicate that more countries are now broadly compliant with international public sector accounting standards; fiscal risks are being tackled, particularly relating to State Owned Enterprises (SOEs); and fiscal discipline is taking root where strategic budget reforms have been embraced with CARTAC assistance, including leveraging the efforts of the macroeconomic program to improve policy analysis and decision making.

11. **Since its 2001 launch, and continuing through Phase IV, CARTAC has been at the forefront of Caribbean revenue system modernization**, with an emphasis on introducing VAT as a modern, broad-based consumption tax particularly suited to efficient revenue mobilization to offset declining trade taxes and challenges from underperforming direct tax regimes. During Phase IV, CARTAC provided significant support to help launch VAT in St Lucia in 2012 (see Box 1) and The Bahamas in 2015, and will be active throughout 2016 for a planned Suriname VAT in 2017. While launching a VAT is a significant accomplishment on its own, further reform efforts are inevitably needed to maintain sustained VAT performance and to further strengthen both tax and customs administration; such as the adoption of risk-based methodologies, typically underpinned by taxpayer segmentation, and exploiting synergies from integrating direct and indirect tax administration. Such initiatives are taking hold with encouraging early results observed in Dominica, Grenada, and St. Lucia.

12. **Lingering financial sector fragilities throughout the Caribbean have highlighted the criticality of CARTAC efforts to strengthen financial stability and supervision.** The reverberations of regional financial crises in the wake of the global crisis are progressively being addressed. Most countries have made solid progress throughout Phase IV towards implementing Basel II standards and introducing risk-based supervision, and the CARTAC financial sector program was expanded in 2014 to include a financial stability component to build the capacity, tools, and indicators to stem the next crisis. Considerable CARTAC resources have been devoted to address vulnerabilities in the nonbanking sectors (pensions, insurance, and credit unions), successfully helping to strengthen the capabilities of regional groupings of regulators, and preventing regulatory capture.

13. **Reliable and timely economic and financial statistics are crucial to effective policy making and administration.** The availability of sound statistics underpins the effectiveness of every CARTAC program, whether fiscal, financial, or macroeconomic. To that end, strong progress has been made throughout Phase IV to improve the quality, availability, and frequency of both real and external sector statistics, typically constrained by very small and under-resourced national statistical offices, and other macroeconomic statistics compiling units. These efforts include the adoption of international standards in the sixth balance of payments and international investment position manual (BPM6) that was rolled out across the ECCU<sup>8</sup> states in 2015 and improvements in national accounts and consumer price statistics compilation and dissemination across various CARTAC member states.

14. **While CARTAC assistance is always tailored to member country circumstances, CARTAC's strategic objectives are supportive of regional integration.** Where the necessary political and technical preconditions are present, CARTAC work programs foster regional and sub-regional initiatives, with examples of model CARICOM customs legislation that is being enacted by some members with CARTAC support, and preparations for the free circulation of goods within the OECS sub-region. A standing invitation to the biannual meetings of Caribbean Central Bank Governors provides the venue and platform to be engaged on the region's priorities

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<sup>8</sup> ECCU members are: Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

so that CARTAC programs are appropriately responsive. Although the region must articulate its own priorities to be pursued, the efforts of CARTAC to support important reform achievements can help fuel and drive these agendas, whether arising from advocacy of individual members or through regional institutions such as the ECCB, the CARICOM and OECS secretariats, or the various regional regulatory agency that CARTAC is closely engaged with.

15. **New programs launched in Phase IV, also gained traction.** In particular the macroeconomic program expanded its reach beyond its more limited engagement with ECCU countries, and also linked up initiatives across programs, particularly to ensure that medium-term macro and fiscal frameworks underpin PFM budgeting processes. Cross cutting efforts of the macro program extend to the statistical programs, and will also link up with the recently and highly successful financial stability and interconnectedness program. The flexibility and adaptability of the RTAC model is key to responding to changing circumstances and redirecting (or creating new) programs to the highest priority.

#### D. CARTAC Phase IV—Lessons Learned

16. Moving into Phase V, and building on the findings of the mid-term evaluation (Annex III) some important lessons have been learned, which are incorporated into the design and operations of Phase V, including:

- **The flexibility and adaptability of the RTAC model is key to responding to changing circumstances and redirecting (or creating new) programs to the highest priority.** The model of a core group of Resident Advisors, complemented by short-term experts, working in close collaboration with IMF HQ, and with a planning process guided by stakeholders, meant that CARTAC was well placed to reorient its focus to address emerging and urgent issues (for example a new focus on financial stability and interconnectedness in the wake of the CLICO collapse, and the concentration of PFM resources in countries with IMF-supported programs to address benchmarks).
- **However the ability of CARTAC to ensure a consistent rate of delivery, and ability to plan over a multi-year horizon requires predictability of financing.** CARTAC was severely hampered by initial delays in mobilization of funds. This led to ‘lumpy’ delivery in the early years of Phase IV. Going into Phase V, and in line with the recommendations of the external evaluator, CARTAC partners will be encouraged to make, and deliver on, their financing commitments in good time.
- **While being responsive to member countries’ needs, CARTAC Phase V will have an enhanced focus on the sustainability of its interventions.** Sustainability has a number of criteria (Box 2), which will be taken into account in the design and delivery of CD in Phase V. The programmatic approach recommended by the external evaluation will be

##### Box 2. Factors Affecting Sustainability of CARTAC CD

- Beneficiary commitment/ownership
- Institutional /managerial capacity
- A supportive policy environment
- Appropriate technology and IT support
- Political economy
- Overall civil service human resources policy

an important way to make progress in this regard. In particular; more explicit upfront agreement on deliverables and outcomes will be required before TA resources are committed to sizeable programs. Implementation of recommendations and progress against outcomes will be important factors in prioritizing follow-up CD.

- **The mid-term evaluation of Phase IV identified a number of ways in which CARTAC can increase the effectiveness of its work.** In particular, the evaluators recommended reinforcing the programmatic nature of CARTAC work; strengthening RBM by piloting the new systems being developed by the IMF; investing in the measurement of baselines and progress, and by specifying measurable objectives and targets within a program-based approach to CD. These recommendations dovetail well with developments in RBM at IMF HQ, notably the development of standardized objectives, outcomes, and indicators which can be monitored and reported through a new IT system, the Capacity Development Portal (CD-PORT).
- **More participation of fiscal institutions (ministries of finance, revenue authorities etc.) and statistical bodies in CARTAC Phase V governance arrangements is a priority.** CARTAC governance arrangements have been effective and efficient throughout Phase IV and earlier phases, with considerable support from Central Banks in the region. There is a need however, to evolve the Center's governance to reflect the large share (over 50 percent) of CARTAC resources dedicated to CD in the fiscal area, and to ensure that this constituency is adequately represented in consideration of the Center's strategies and work plans. This could be achieved through thematic mid-year SC meetings, or timing meetings to coincide with events where ministries of finance or statistical agencies will be present.

## II. ADDRESSING THE REGION'S MACROECONOMIC AND FINANCIAL CHALLENGES

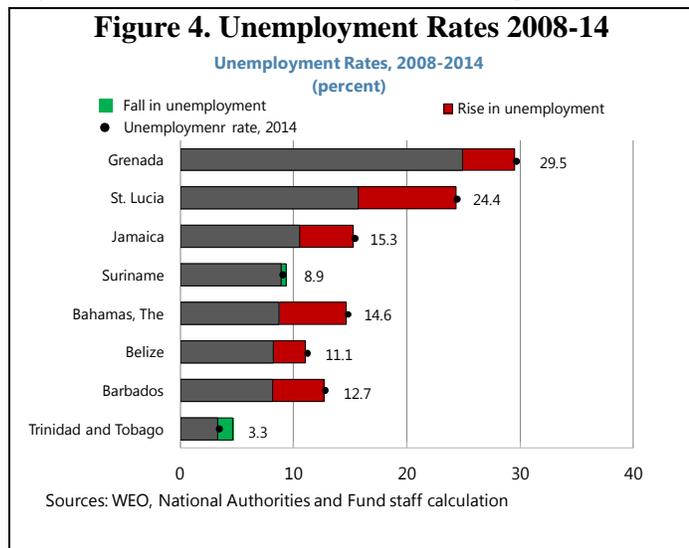
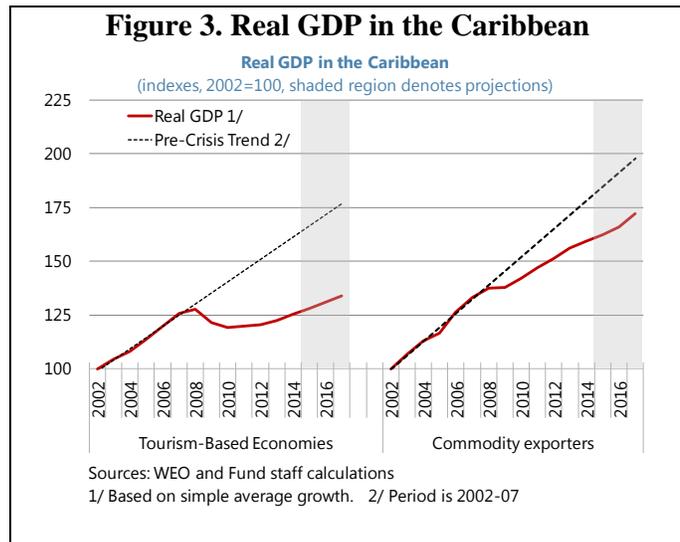
### A. Recent Developments and Future challenges

17. **Macroeconomic performance in the countries covered by CARTAC has improved over the last couple years, but growth still lags behind the rest of the world, and is insufficient to reduce high unemployment and public debt burdens.**

In the tourism-dependent countries (The Bahamas, Barbados, Jamaica, and the countries of the Eastern Caribbean Currency Union, (ECCU)) real GDP growth of about 2¼ percent is projected in 2015 and 2016, with some countries experiencing the upside from favorable fuel prices, increasing external demand, and citizenship-by-investment programs while others are experiencing below-expected growth due to extended drought or natural disasters. Real growth in commodity exporters (Belize, Guyana, Suriname, and Trinidad and Tobago) is projected at around 2 percent in 2015 before marginally rising to 2.4 percent in 2016 based on expected small improvements in commodity terms of trade and prospects in other sectors. Inflation is largely benign with some countries experiencing short-lived deflation largely owing to the full-year impact of lower fuel prices.

18. **The large external current account deficits in most of the tourism-based countries have improved owing to lower fuel import bills (all countries in this group are net oil importers) and to stronger tourism receipts.**

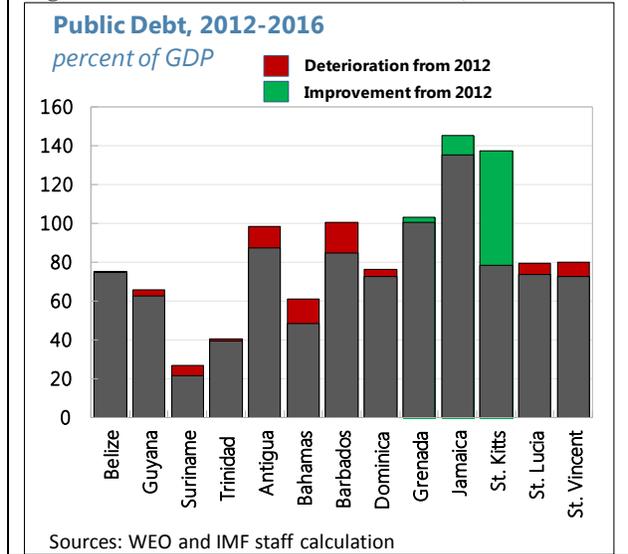
In ECCU countries the growth in citizenship-by-investment programs has strengthened the capital accounts and foreign reserves have steadily grown. In contrast, lower commodity prices have weighed on commodity exporters' external current account balances, with deficits projected to rise. Reducing external vulnerabilities and improving external competitiveness should be critical components to a sustainable growth strategy.



19. **High public debt remains a major challenge and source of vulnerability among the tourism-dependent countries.**

Commodity exporters generally have lower debt burdens but the recent decline in commodity prices have reduced revenues and created fiscal pressures. Notwithstanding recently implemented fiscal adjustment measures by a few countries, public debt levels in the Caribbean are still set to rise in 2015. To assure medium-term sustainability, strong policies are required to streamline public administrations; strengthen tax collection by widening the tax base including improved tax administration and tax policy reforms such as the containment of discretionary tax exemptions. Fiscal frameworks can be strengthened by adopting a fiscal rule consistent with achieving debt targets that is incorporated into fiscal responsibility legislation. There is much scope to strengthen public investment expenditure efficiency and management as well as modernize and upgrade public infrastructure to sustain growth. The recent global recession has proven most challenging to the poor and vulnerable, and protecting these segments of the population can be improved by better targeting social safety nets.

Figure 5. Public Debt in the Caribbean, 2012-16



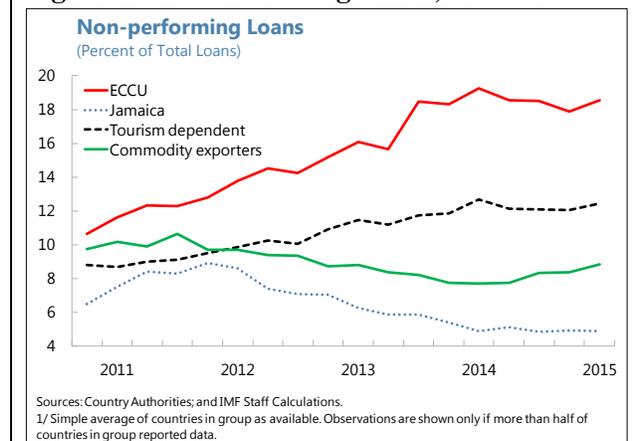
20. **Elevated levels of non-performing loans (NPLs) persist in many countries.**

Notwithstanding the ample levels of liquidity, the slow pace of balance-sheet cleanup contributed to a contraction of credit to the private sector in many economies last year, constituting a drag on economic growth. Policymakers in the ECCU have made some progress under their strategy to strengthen the indigenous (locally incorporated) banks and most ECCU members have passed revised legislation to enhance the framework for bank supervision and regulation.

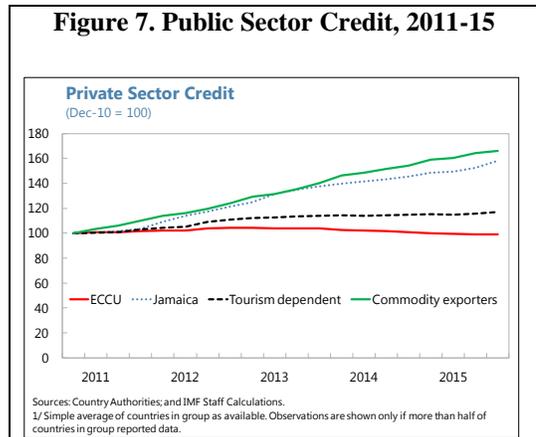
Continued progress toward the resolution

of failed banks, implementing Basel principles, strengthening bank and financial sector supervision and strengthening legal and regulatory frameworks will be important to ensure that the financial sector can support the economic recovery and becomes more resilient to shocks. Additionally, countries should also continue to develop and diversify financial markets within a sound regulatory framework to ensure well-functioning financial intermediation.

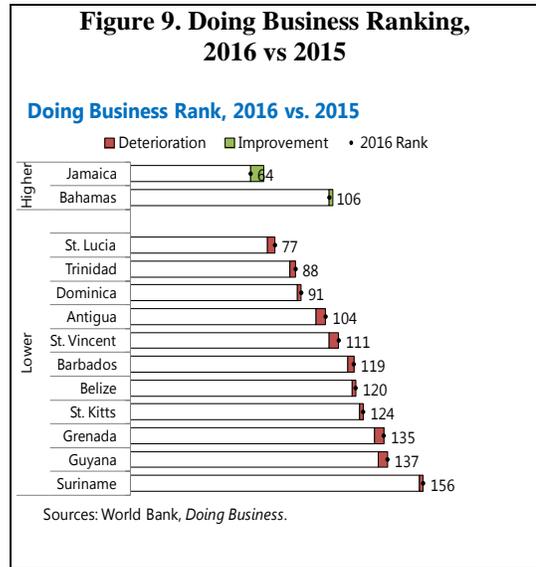
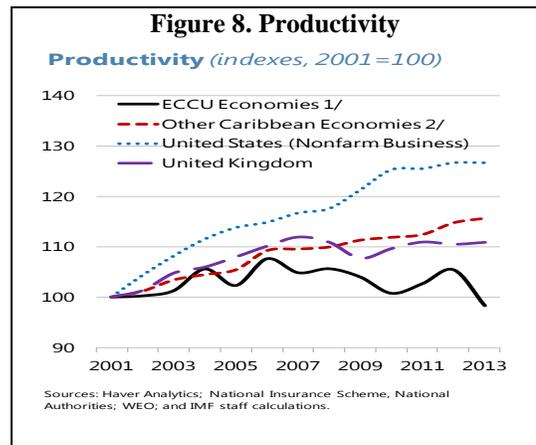
Figure 6. Non-Performing Loans, 2011-15



21. **Downside risks to the otherwise positive outlook could arise from adverse effects from real effective exchange rate appreciation, persistent low commodity prices, US Federal Reserve policy tightening, easier access to Cuba for U.S. tourists.** Governments face the challenge of securing a sustained economic recovery and at the same time responding to people’s demands for more inclusive growth and better quality public services. Commodity exporters in the region face new challenges as they cope with declining tax revenues and foreign exchange earnings that could expose underlying fiscal vulnerabilities as well as put pressure on exchange rates. Fiscal measures will be required to make up for revenue shortfalls and should be accompanied by more flexibility in exchange rates to restore competitiveness and enhance growth and diversification. Tourism-based economies have to address their persistent low competitiveness related to the Caribbean’s relatively high domestic cost levels, which could rise further as the region’s pegged currencies appreciate in line with the U.S. dollar. Moreover, some of the destinations could possibly lose market share as Cuba opens as a potential tourist destination for the U.S.



22. **Improving long-run prospects will require stronger implementation of structural policies over the medium to long term.** Given the fiscal constraints, continuing to improve PFM and tax administration will be crucial. Governments in the region will have to rely more on private investment to make the necessary investments, which will require improving the business environment. Efforts to mitigate the high costs of doing business include further improving the quality of the infrastructure and public services; better aligning wage setting with productivity trends; reducing energy costs by improving the efficiency of the energy sector; strengthening regulation of utilities’ tariffs; and addressing factors that limit businesses’ access and cost of finance. Measures to boost structural competitiveness should also aim to improve educational attainment and mitigate skills mismatches, accelerate contract



dispute resolution processes, and reform insolvency regimes. Finally, policies will need to make economies more resilient to natural disaster events.

### III. CARTAC AGENDA FOR PHASE V

23. **Governments face the challenge of securing a sustained economic recovery while concurrently responding to people’s demands for more inclusive growth and better quality public services.** The key policy objectives identified by Caribbean countries are higher growth rates to create jobs and improve living standards; the reduction of public debt to improve fiscal sustainability and facilitate much needed public investment; greater resilience to natural disasters; and a strong, well-regulated financial system that can be a catalyst for growth. Policymakers indicate that a path to external and fiscal sustainability should take into account countries’ physical, financial, and political economy constraints. Additionally, structural reforms should be mindful of inherent disadvantages of smallness, remoteness, and low capacity.

24. **At the country level, governments should strive in earnest to create a sound macroeconomic environment and take action for strong and sustainable growth.** This is important not only to achieve the above mentioned objectives but the ambitious 2030 Sustainable Development Goals (SDGs). The latter embraces the view that development needs to be economically, socially, and environmentally sustainable. Achieving the SDGs will also require concerted action and cooperation at international levels, including in the provision of TA and training. At the national level, a strong focus on domestic resource mobilization is required, and CARTAC is well placed to assist its members in this area. Delivery of capacity development on revenue and customs administration is in line with the Post-2015 Agenda promoting domestic revenue mobilization and taxation of natural resources (see Table 1), particularly for vulnerable small states. CARTAC CD in support of financial sector will help improve financial inclusion and financial deepening, also in line with the Addis Ababa Action Agenda on Financing for Development (FfD).

<b>CARTAC Expertise</b>	<b>SDG Themes</b>
<b>Public Financial Management Revenue and Customs Administration</b>	Scaled-up public infrastructure Domestic resource mobilization; taxation of natural resources
<b>Macroeconomic Analysis Financial sector supervision</b>	Resilience to natural disasters Promoting financial inclusion and financial deepening,
<b>Real and external sector statistics Public Financial Management</b>	Improved data dissemination; and developing members’ capacity to monitor SDG outcomes Scaled-up public infrastructure
<b>Revenue and Customs Administration</b>	Domestic resource mobilization; taxation of natural resources

25. **CARTAC's assistance will therefore be tailored to reflect these objectives and country specific constraints and needs.** Additionally, the introduction of the IMF's Results Based Management (RBM) framework will improve the targeting and monitoring of progress towards expected outcomes; the changes created, and contributed to, by our TA and training. TA and training activities are closely intertwined and often represent a continuum in the capacity development spectrum of operations. Training is often built-in as a critical component of TA delivery, and their progressive integration is critical to CD impact. Synergies between TA and training will be enhanced throughout the new phase.

26. **Phase V CD priorities** include:

- **Fiscal sector** - enhance PFM, mobilize revenue, and strengthen revenue administration. Enhancing PFM is critical to improving the effectiveness of public spending as well as fiscal and debt sustainability. For PFM, cash management, budget classification, reporting, and monitoring remain a priority in several countries to free domestic resources and development assistance for infrastructure investment and poverty reduction. Improving the institutional framework for reporting and monitoring involve a strengthening of treasury and budget functions, governance, and tax and customs administration—all areas in which CARTAC is already heavily engaged, in close coordination with the donor community. Similarly, enhancing revenue mobilization and administration are critical to providing governments with more resources to invest on education and training, social safety nets, and public infrastructure. An important focus for CARTAC will be on maintaining, and increasing where possible, revenue from the region's Value Added Tax (VAT) regimes, without distorting other policy objectives. Lastly, legal and regulatory frameworks need to be enhanced to strengthen PFM, fiscal responsibility and transparency, debt management, and for the effective oversight and monitoring of SOEs and statutory bodies (SBs).
- **Financial sector** - strengthening the legal frameworks and supervision of banks and financial institutions are priorities for safeguarding financial stability while creating the environment for deepening financial markets and access. Strengthening the legislation has already begun in ECCU member states but regulatory frameworks and prudential standards need to be upgraded in most CARTAC members and capacities for implementation enhanced. The risk of spillovers from cross border activity also requires the harmonization of standards and strengthening of regional cooperative arrangements between regulators and supervisors. Enhancing supervisory frameworks, particularly the capacity for macro-prudential analysis, systemic risk assessments, and introducing consolidated supervision to enhance coverage of holding companies and other financial institutions, will assist in mitigating risks. Implementation of better legal frameworks and supervisory practices will help mitigate concerns about Anti Money Laundering/Counter Financing Terrorism (AML/CFT) and the risk of losing more correspondent banking relationships.
- **Macroeconomic statistics and policy analysis**—strengthening the capacity for data dissemination as well as improving the scope for monitoring outcomes and economic

analysis will be vital to providing a better foundation for policy making. Achieving this will require addressing shortcomings in the quality, reliability, and timeliness of macro-economic statistics. In particular, national accounts statistics in most member countries need to be upgraded to best practices, implementation of new compilation methodologies, and increased coverage of economic activities. Periodicity of reports need to be increased (quarterly) while benchmark years need to be revised to better reflect the structural changes that have occurred since the last revisions. Similarly, methodologies for the compilation and coverage of statistics on the balance of payments and international investment position also need to be upgraded to improve their quality and reliability. The volume of CD needed in CARTAC members vary; the ECCU countries will require comprehensive assistance to improve all facets of economic assistance some of which is beyond the scope of CARTAC. Collaboration with other external agencies such as the Project for the Regional Advancement of Statistics in the Caribbean (PRASC) and the ECCB will aid in expanding the coverage of TA on macro-economic statistics. Further strengthening the capacities of Macroeconomic Policy Units in member countries is needed to improve the reliability of economic projections; undertake multi-year macroeconomic programming and medium term fiscal and expenditure frameworks; track and assess economic trends and policy impacts; and inform economic policy. Importantly, this will leverage capacities enhanced by CARTAC in statistics as well as in the fiscal and financial sectors. Notwithstanding the TA needs, improving capacities in statistics and policy analysis will require greater efforts by member governments to support Statistical Agencies and Macro Policy Units with adequate financial and human resources, and by promoting the inter-agency exchange of information.

### **A. CARTAC's Fiscal Program**

#### **Public Financial Management**

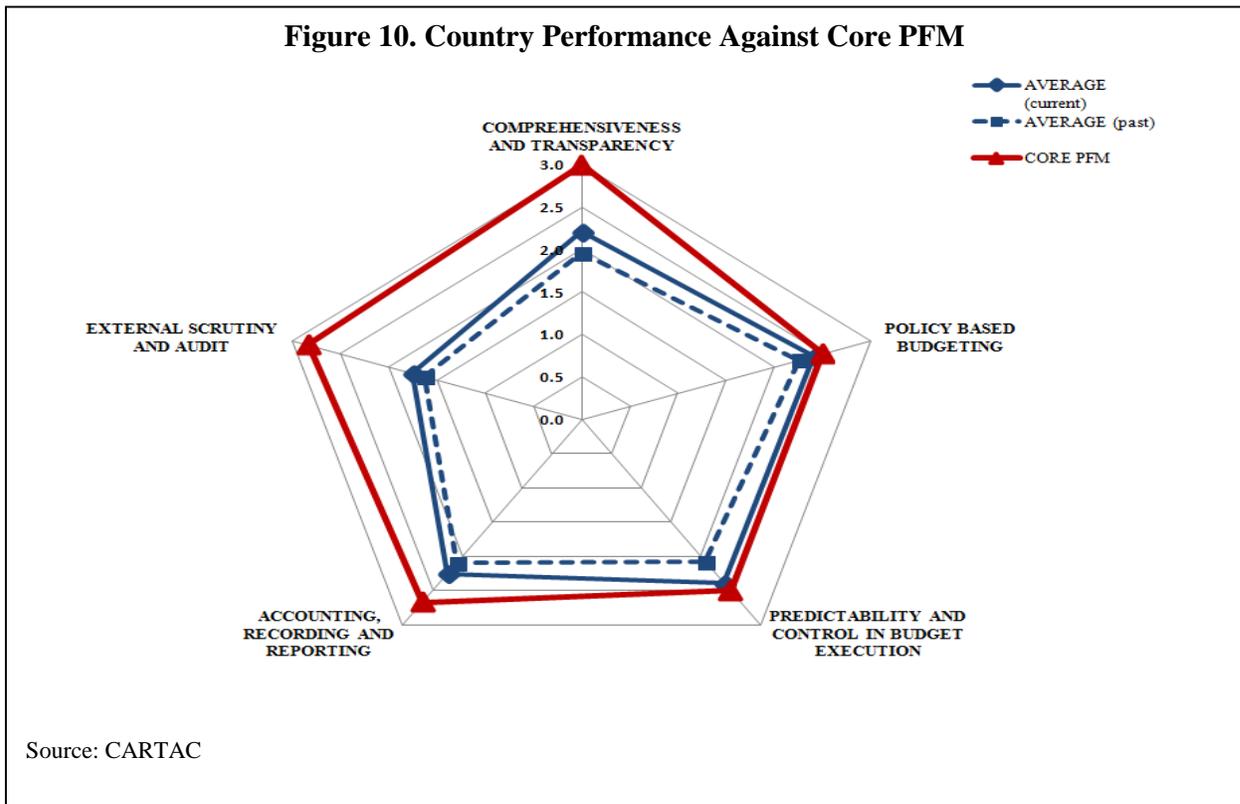
27. **The Caribbean region has undergone a comprehensive program of PFM reforms for more than a decade.** CARTAC has been the most significant partner and source of CD in planning and implementing these reforms across a wide range of PFM functions, including: the legal, regulatory and institutional framework; budget planning, preparation and execution; treasury systems and operations; public sector financial transparency, accountability; and fiscal risk management.

28. **CARTAC undertook a comprehensive comparative review of PFM practices in selected member countries that have been recipients of CARTAC/development partner assistance in related areas.** This stocktaking exercise aimed at identifying strengths and weaknesses in countries' PFM systems, and compares individual countries' progress in PFM against past assessment, and against overall performance in the region. In addition, the review benchmarked current PFM performance in the Caribbean region with the characteristics of a "core PFM" framework, as defined in the IMF Good Practice Note for PFM.<sup>9</sup>

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<sup>9</sup> Sequencing PFM Reform' (Diamond, 2013).

29. **PFM reform initiatives over the last 6 – 7 years have brought the region close to ‘core’ PFM functionality and performance.** As shown in Figure 3, the comparison of the most recent Public Expenditure and Financial Accountability (PEFA) results with past PEFA results<sup>10</sup> and against ‘core PFM’ for eight countries in the region<sup>11</sup> provides a useful indication of the effectiveness of reform initiatives. While there are variations in progress, and in the rate of progress achieved by individual countries, there is considerable evidence to suggest that PFM reform initiatives introduced over the last 6 – 7 years have brought the region as a whole closer to ‘core’ PFM functionality and performance. There is also evidence that considerable work needs to continue, particularly in comprehensiveness and transparency, and accounting, recording and reporting to meet the ‘core’ standards. External scrutiny is not an area that CARTAC covers.



<sup>10</sup> Past PEFA's were from 2009, 2010, and 2011; present PEFA assessments were conducted between 2013, 2014 and 2015.

<sup>11</sup> Anguilla, Antigua and Barbuda, Barbados, Belize, Grenada, Montserrat, Suriname, and the Turks and Caicos Islands.

**30. A core level of PFM functionality has been attained in the areas related to policy based budgeting, and predictability and control in budget execution.**

Eight countries<sup>12</sup> have implemented Strategic Budget Reforms, the aim of which is to strengthen fiscal discipline in the budget process (particularly in the context of the current fiscal challenges), and assist decision-making by providing better information on priorities, results, and value for money. The role and commitment of Cabinet is critical to the effectiveness of these processes. An examination of these countries' past and present budget documents shows the significance of the reforms that have been implemented, and the improvement not just in fiscal balances, but also in measures of fiscal transparency.

**Box 3. CARTAC Supports Fiscal Risk Management**

Fiscal risks are one of the more challenging aspects of PFM, and one area where considerable stress has occurred in member states' fiscal soundness. During Phase IV, CARTAC has had considerable success working with Grenada on reforming the SOE sector, putting in place stronger government oversight through a performance-monitoring framework, and implementing related reforms to address structural challenges of high labor costs and inflexible employment conditions; a new dividend policy to improve return on equity; a revamped tariff-setting regime for some commercial SOEs to resolve revenue weaknesses; and pension reform, to address unfunded pension liabilities.

The Grenada model is now the template for the region going forward and a consistent approach is underway in Anguilla, Barbados, British Virgin Islands, Dominica, and St. Vincent and the Grenadines.

**31. Within budget execution, the focus on meeting international standards has had a material effect on CARTAC members in striving for more robust and timely financial statements.** This has led to improvements in various inputs to the statements, such as improvements in Treasury Single Accounts (TSA),<sup>13</sup> IT solutions for more accurate and timely bank reconciliations,<sup>14</sup> and overall improvements to the presentation of the statements, consistent with International Public Sector Accounting Standards (IPSAS), in most members.

**Box 4. Supporting PEFA Self-Assessments in the Caribbean**

The practice of conducting a PEFA self-assessment in advance of a formal PEFA assessment is gaining traction in the Caribbean region. A CARTAC workshop in March 2015, involving officials from sixteen countries provided the necessary training to undertake these pre-assessments, providing country officials an opportunity to identify reporting and documentation needed for the formal assessment, while also providing much needed validation of their PFM reform program. Through the workshop, CARTAC delivered the first comprehensive training in the upgraded PEFA 2015 framework.

During the workshop, those countries with a PEFA planned for 2015 indicated their clear desire to utilize the 2015 PEFA testing version, thus providing a strong endorsement of the revised version. CARTAC will continue to monitor the rollout of the revised PEFA framework and provide opportunities that will enable member countries to implement better practices that are appropriate and workable for each member country.

<sup>12</sup> Anguilla, Belize, British Virgin Islands, Dominica, Montserrat, St. Lucia, St. Vincent and The Grenadines, and Turks and Caicos Islands.

<sup>13</sup> Particularly, Dominica, Grenada, St Kitts and St Lucia.

<sup>14</sup> Dominica, Grenada, St. Lucia.

32. **PFM legislation has been a recent initiative during Phase IV.** CARTAC, with the Canadian-financed Financial Management in the Caribbean (FMC) project, is on track to assist ECCU countries to develop and install a modern and broadly consistent PFM legal framework by the end of Phase IV.

33. **PFM exploits synergies with other TA areas at CARTAC, especially with Macroeconomic analysis.** PFM has been working to instill and strengthen a more policy-based approach to budget development, and there have been several joint workshops with the Macroeconomic program to ensure that the medium-term macroeconomic and fiscal frameworks produced by the region's Macro Fiscal Policy Units (MFPUs) are at the heart of the annual medium-term budget process.

*Priorities for CARTAC PFM Phase V*

34. **During Phase V, CARTAC PFM will focus on five strategic objectives supported by 13 outcome areas.** This is an expansion on Phase IV, as within the five strategic objectives, an additional outcome has been added for improving public investment, which is central to realizing growth and achieving the SDGs. All topic objectives are linked to the IMF RBM and PEFA frameworks (Annex V):

- I. **Ministry of Finance operations are improved by establishing modern financial management practices, supported by comprehensive legal frameworks and capable staff:**
  - A more comprehensive legal framework covering all stages of the PFM cycle is enacted and supported by regulations;
  - The capacity of Ministry of Finance to meet its PFM responsibilities is enhanced through training provided to staff members.
- II. **Budget processes to provide transparent, multi-year policy and fiscal documents that enable citizens and government officials with knowledge on resources available, funding allocations, and proposed services to be delivered:**
  - A more comprehensive and unified annual budget is published and available for citizen review
  - A more credible medium-term budget framework is integrated with the annual budget process and used for the annual budget planning process in the future years
  - Information on resources and performance by service delivery program is included in budget documentation.
- III. **Fiscal reporting, coverage and quality is enhanced through the use of GFS/COFOG compliant chart of accounts, compliance with IPSAS or similar international standards, and the availability of annual audited financial statements for scrutiny by parliament and citizens:**

- The chart of accounts is aligned with international financial reporting standards
- Fiscal reports are comprehensive and reliable
- Annual financial statements are audited and scrutinized by parliament

**IV. Budget execution is improved through better controls, risk based analysis, and by incorporating public investment planning processes into the organizational structures:**

- Risk-based internal audit functions are established in central government agencies
- Controls over expenditure commitments and payments are effective
- Planning, appraisal, selection, and implementation of public investments are formalized

**V. Countries are better able to manage risks through a process of identifying and monitoring public corporations and contingent liabilities.**

- Central fiscal oversight and analysis of public corporations is strengthened
- Disclosure and management of contingent liabilities and other specific fiscal risks is more comprehensive

35. **PFM results will be measured by country and outcome.** This will be achieved using the relevant PEFA Performance Indicators (reported through CD-Port) and overall, through the outcome of PEFA assessments.

36. **To improve the long term sustainability of PFM reforms, CARTAC will increase its focus on the institutions of PFM.** In particular, CARTAC will focus on strengthening senior management and ministerial ownership and engagement. This applies just as forcefully in the other sectors (tax, statistics, financial sector, etc.) of CARTAC involvement. CARTAC will allocate more resources to undertake institutional assessments of the Treasury, Budget, Public Sector Investment, Internal Audit, and Fiscal Risk Monitoring functions, and their related IT systems. These assessments will examine the optimal staffing, structures, business processes, skills (gap analysis), and technology that are required to undertake the function to a core, or basic but sustainable standard. The intention of these assessments is to seek senior management, and where relevant, ministerial agreement, to the recommendations and overall approach to a multi-year CD plan, together with a commitment to the resources necessary for these institutions to maximize the outcomes from the resources deployed.

***Regional Issues***

37. **CARTAC will continue to promote regional solutions.** CARTAC will continue to research, encourage debate and promote regional approaches/solutions to suitable topics within the region that would lead to the development of regional communities of expertise, or regional shared services. Such approaches would encourage a standard level of professionalism and also, to some degree, address institutional and capacity risks that may have been identified.

### *Coordination*

38. **Close and active coordination will continue with the FMC and SEMCAR<sup>15</sup> projects to ensure that CARTAC activities reinforce and complement the work of the main development partners.** These include: Canada, the United Kingdom's Department for International Development (DFID) and the European Union (EU) on PEFA and institutional assessments and PFM Action Plans; the Inter-American Development Bank (IDB) and Caribbean Development Bank (CDB) in partnering on conferences and workshops; the ECCB on fiscal reform in the ECCU; the Commonwealth Secretariat (COMSEC) and the Caribbean Organization of Supreme Audit Institutes (CAROSAI) on matters of mutual interest; and the United Nations (UN) Women on gender budgeting.

39. **PFM will also continue to participate in IMF HQ regional missions.** This has been the case with the participation on the Fiscal Rules mission to Barbados; the Public Bodies Reform mission in Jamaica; and the mission on Restructuring of the Accountant General's Department in Jamaica.

### *Resources*

40. **The model adopted in Phase IV of two PFM advisors, both generalists, splitting countries has proven to be very successful.** This allows both LTXs to focus on a smaller number of member countries, improving relationships and providing a higher level of personal attention. This is proposed to continue, and future LTX recruitment will target generalists, with strong project management and interpersonal skills. STX resources, while adequate, could be increased to allow for longer-term engagements in those countries that are focused on a larger reform effort.

41. **Attachments from one member country to another were also successfully utilized under Phase IV and will continue in Phase V.** This enables individuals from one member country to learn from the experiences of another, through direct, hands-on engagement or involvement in diagnostic missions outside of their country, such as regional PEFA assessments.

### *Risk Assessment*

42. **The biggest risk to the PFM program is sustainability of reforms resulting from weaknesses in institutional frameworks.** These risks include inadequate staffing, skills or expertise assigned to various functions and/or technology constraints, such as IT systems not being kept up to date with latest releases or other functionality gaps. To manage these risks, CARTAC will increase its focus on institutional assessments and strengthen engagement with ministerial decision-makers.

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<sup>15</sup> Supporting Economic Management in the Caribbean Region (SEMCAR).

## Revenue Administration–Tax

43. **Important reforms and solid tax administration improvements have been achieved with CARTAC support.** These include improved strategic management, extensive capacity building in technical skills and core functions, and VAT introduction.

44. **The overarching objective has been to efficiently enhance tax collections.** This has been a particularly challenging goal given the financial crisis and its impact on taxpayer compliance and tax collections. Table 2 shows higher tax revenues as a proportion of GDP in The Bahamas, Haiti, Jamaica, St. Kitts and Nevis, and Suriname between 2010 and 2015.

**Table 2. Tax-to-GDP Changes for Selected CARTAC Countries 2010-15**

Tax-to-GDP Changes for Selected CARTAC Countries 2010 - 2015							
	2010	2011	2012	2013	2014	2015	Change
Antigua & Barbuda	18.8	18.1	18.4	17.7	16.9	17.6	-1.2
Bahamas	14.0	16.4	15.8	14.6	14.7	16.2	2.2
Barbados	24.4	26.9	26.0	23.3	24.1	23.7	-0.7
Belize	23.6	22.5	22.4	23.1	23.2	23.3	-0.3
Dominica	23.7	22.2	22.7	22.3	21.7	21.7	-2.0
Grenada	18.7	18.4	18.0	16.6	17.9	18.2	-0.5
Guyana	21.9	21.2	20.3	20.7	21.2	20.9	-1.0
Haiti	11.5	12.6	12.7	11.9	12.0	13.8	2.3
Jamaica	24.3	23.5	24.5	24.1	24.8	25.7	1.4
St. Kitts & Nevis	18.3	20.8	20.3	19.9	20.8	20.5	2.2
St. Lucia	21.8	22.0	21.5	22.8	21.6	21.5	-0.3
St. Vincent and the Grenadines	22.9	21.3	21.6	21.6	22.4	22.3	-0.6
Suriname	15.7	18.5	18.4	18.5	17.0	16.7	1.0
Trinidad and Tobago	29.1	28.1	29.0	27.1	27.9	26.9	-2.2
<b>Unweighted Averages</b>	<b>20.6</b>	<b>20.9</b>	<b>20.8</b>	<b>20.3</b>	<b>20.4</b>	<b>20.6</b>	<b>0.0</b>

45. **CARTAC supported VAT launches in Phase IV in St. Lucia (2012) and The Bahamas (2015), adding to the five in previous phases.** VAT

has become a major revenue source in each case. Suriname plans to implement a VAT early in Phase V, while Anguilla contemplates a comprehensive indirect tax reform.

46. **The composition of tax revenues in the Caribbean (see Figure 4) differs markedly from that of any country income group.** Caribbean countries tend to be heavily reliant on trade taxes, and with considerably smaller contribution from taxes on income and goods and services. Tax policy reforms are therefore essential: undertaking a comprehensive reform of the Personal Income Tax (PIT) to make the PAYE a final tax, establishing a presumptive tax,<sup>16</sup> and strengthening property tax design and administration.<sup>17</sup>

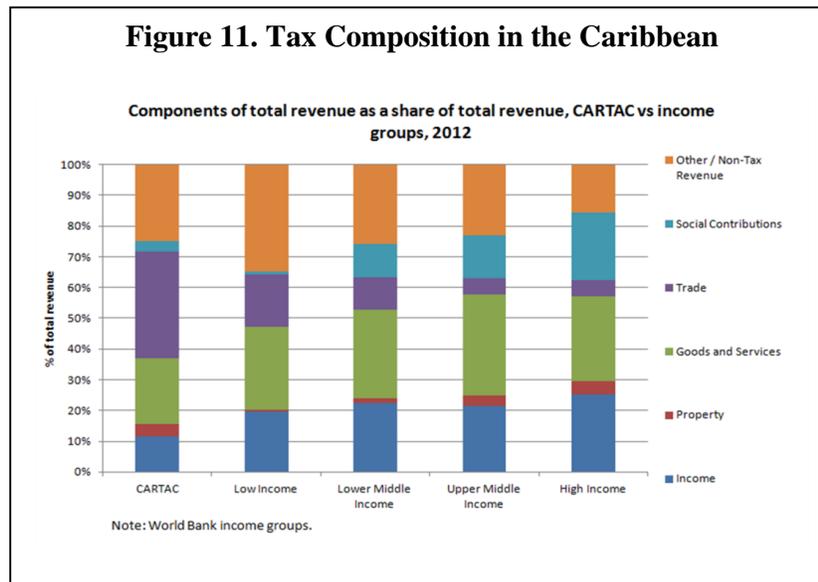
47. **Strategic management was also an important focus in Phase IV.** While SEMCAR provided a strategic planning framework enabling countries to design a Corporate Strategic Business Plan (CSBP), CARTAC helped countries identify their strategic goals and objectives,

<sup>16</sup> The term presumptive taxation covers a number of procedures under which the 'desired' base for taxation (direct or indirect) is not itself measured, but is inferred from some simple indicators which are more easily measured than the base itself.

<sup>17</sup> In Phase IV, FAD/Tax Policy completed a review of property taxation in the ECCU that led to a request to support reforms in St. Lucia, and the organization of a regional seminar co-funded by Canadian Financial Management in the Caribbean Project. There is a growing interest for property taxation issues in the region.

and set performance indicators, through development/updating CSBPs in Antigua and Barbuda, Belize, Dominica, Grenada, St. Lucia, St. Kitts and Nevis, Haiti, and Trinidad and Tobago.

48. **CARTAC has also helped countries reorganize their administrations along functional lines.** Key support areas include integration in the administration of direct and indirect taxes and establishment of HQ functions in Barbados, Dominica, Grenada, St. Lucia, and St. Kitts and Nevis; and segmentation of taxpayers by size (Dominica, Grenada, St. Lucia, and St. Kitts and Nevis). Similar efforts are on-going in Haiti, The Bahamas, and St. Vincent and the Grenadines.



49. **Significant resources have been allocated to training (on the job, workshops and regional seminars) in two core areas:** audit and collection enforcement with development of comprehensive handbooks/manuals. Many tax officials from the region have benefited from these programs with broadly positive impacts, but shortcomings, most notably the limited impact on productivity and a remaining skill gap, still remain to be addressed (see below).

#### *Priorities for CARTAC Tax Phase V*

50. **As fiscal challenges continue, attention is increasingly focused on efficiently maintaining and increasing tax yields, particularly VAT.** This involves identifying and addressing compliance gaps, setting appropriate thresholds, and eliminating exemptions. Importantly, maximizing VAT yield and efficiency is also a driver for strategic and organizational reforms in the respective revenue administrations. Other taxes with efficient revenue potential will also be pursued through design improvements, strengthened compliance approaches utilizing new tools, and increased collaboration.

51. **Phase V is also an opportunity to further leverage IMF expertise, particularly in tax policy and diagnostics.** In cooperation with the FAD Tax Policy Division (TPD), CARTAC will undertake selected missions (to look at tax rates and expenditures, revenue and audit gaps, and assist finance ministries to establish tax/fiscal policy units and to undertake diagnostic assessments).

52. **CARTAC will also play a role in helping members to strengthen their tax systems to reduce the risk caused by international tax issues.** A joint IMF/World Bank initiative speaks to “deepening the dialogue with developing countries on international tax issues, aiming to help increase their voice in the international debate on tax rules and cooperation; and developing improved diagnostic tools to help member countries evaluate and strengthen their tax policies.”

53. **Protecting the domestic tax base against base erosion and profit shifting is necessary if developing countries are to attain revenue sustainability.** Provided that stronger transfer pricing and thin capitalization rules are introduced, CARTAC will assist member countries with enhancing exchange of information and building audit capacity of multinational enterprises and High Wealth Individuals (HWI). This will be achieved in connection with the implementation of the regional audit team concept being piloted under the FMC project. Effective large taxpayer offices are critical to these new challenges with implementing strengthened legislation (notably transfer pricing and thin capitalization rules).

54. **Building revenue modeling and forecasting capacity to facilitate tax gap measurement could be supported as a collaborative effort with TPD and the Macroeconomic program.** CARTAC has already provided TA in revenue forecasting in Guyana, and FAD has completed a TAX-GAP analysis in Jamaica. These activities require specialized and scarce skills and high integrity data.

55. For Phase V, the CARTAC tax administration program will therefore focus on:

**I. Reform strategies and strategic management frameworks:**

- **Supporting the establishment and building of capacity in Design, Planning and Monitoring Units (DPMU)** within tax administration head offices: Focus will be in Antigua and Barbuda, Barbados, Dominica, Grenada, St. Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, and The Bahamas.
- **Assessment of compliance risks and development and adoption of a model compliance management program:** This includes holistic risk mitigation strategies in Antigua and Barbuda, The Bahamas, and St. Vincent and the Grenadines.
- **Strengthening performance management programs within the context of the already ongoing strategic management framework (SMF):** Improving and developing key performance indicators, which are either not in place or not sufficiently identified and measured in most CARTAC member countries. This will

be a significant activity in the coming years, drawing on RA-FIT<sup>18</sup> definitions and coupled with TADAT<sup>19</sup> assessments.

- **Regional approaches to strengthening leadership and management capabilities to improve effectiveness of reforms and modernization programs:** Within the gaps identified, there will be the need to create improved accountabilities and leadership in running the tax administrations to improve sustainability of the reforms.

## II. **Organizational arrangements to enable more effective strategy design and reform delivery:**

- **Introduce clear separation of roles and responsibilities between HQ and operational units:** Focus on Bermuda, St. Vincent and Grenadines, and Barbados.<sup>20</sup>
- **Taxpayer segmentation (often with a Large and Medium Taxpayer Section - LMTS).** This is especially needed in The Bahamas, Belize, Barbados, and St. Vincent and the Grenadines. A large taxpayer operation provides a focal point for tackling HWIs and international tax issues. To be effective, segmentation in some countries could be accompanied with an increase of the VAT threshold and the development of a small business presumptive tax. CARTAC could assist Dominica, The Bahamas, Belize, and Bermuda that do not have fully integrated tax administrations.

## III. **Legal framework supportive of tax administration operations.** The adoption of a modern Tax Administration Procedures Act (TAPA) could be a priority in Antigua and Barbuda, Belize, Barbados, Bermuda, Jamaica, St. Lucia, St. Vincent and the Grenadines, and Turks and Caicos Islands.

## IV. **Support functions enable more effective delivery of strategy and reforms:**

- **CARTAC could expand TA in Human Resource Management (HRM) in countries with a semi-autonomous revenue authority (SARA) model (e.g. Jamaica, Barbados and Guyana).** In non-autonomous administrations, the focus would be on establishing small HQ support service functions, building capacity in HR and budget management, taking wider civil service constraints into account.

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<sup>18</sup> RA-FIT (Revenue Administration – Fiscal Information Tool) is an initiative of the IMF’s Fiscal Affairs Department to compile and disseminate revenue and tax and customs operational data. Provision of RA-FIT data could be a prerequisite for certain CARTAC support to boost response rates that have been poor in the first two rounds of RA-FIT data gathering.

<sup>19</sup> TADAT – Tax Administration Diagnostic Assessment Tool, see [www.tadat.org](http://www.tadat.org)

<sup>20</sup> Haiti benefits from an intensive revenue administration reform program financed under the Tax Policy and Administration Topical Trust Fund (TPA-TTF).

- **Data integrity and IT issues are still major impediments to effective tax administration in almost half of the CARTAC countries relying upon SIGTAS.**<sup>21</sup> Progress in this critical area depends on financing and innovative (possibly regional) solutions. Without a solid IT solution that can provide reliable data and management information, progress in other core tax administration functions will be severely impeded. While CARTAC would not be involved in designing/implementing IT systems, it can help countries identify their needs and facilitate the interface with potential suppliers, and provide strategic guidance on possible regional approaches.

### *Regional Issues*

56. **Since its inception, CARTAC has delivered a large volume of training in the audit and collection enforcement areas through different means: formal, classroom-based training, workshops, and attachments.** However, the ever changing regulations in the global tax landscape and increasing sophistication of tax avoidance mechanisms, have meant that technical skills of many tax officials remain insufficient. Shortcomings include lack of specialized training, including a lack of induction training,<sup>22</sup> and continuing education for revenue officials. While CARTAC has filled an important gap in training design and delivery, the scale of CARTAC involvement, coupled with the need for a more strategic and institutionalized approach has limited the sustainability of CARTAC efforts. Against this backdrop, consideration could be given to establishing a semi-autonomous regional entity (Regional Tax School) with a board of management responsible for the development and implementation of a regional training strategy for tax officials in member countries.<sup>23</sup> The role of CARTAC could be to participate in a feasibility study, support implementation, and deliver training in selected areas, perhaps collaboratively with regional or sub-regional associations of tax administrators (e.g. CIAT).

### *Coordination*

57. **CARTAC's revenue programs complement the efforts of other development partners and TA providers, such as the SEMCAR and Canadian-financed FMC projects.** Close coordination between these efforts has been maintained via mutual FAD backstopping and CARTAC participation in project Steering Committees. CARTAC has similarly worked closely with other initiatives, such as the IDB-financed tax administration reform program in Jamaica. CARTAC will continue to coordinate closely with all contributors in Phase V. Greater use of tools such as RA-FIT and TADAT will help focus the contribution of all stakeholders to the highest reform priorities ensuring that efforts are complementary, and add maximum value.

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<sup>21</sup> The Standard Integrated Government Tax Administration System (SIGTAS) is an integrated information system that enables governments to automate the administration of taxes and licenses.

<sup>22</sup> With the exception of Jamaica.

<sup>23</sup> Lessons could be learned from the Revenue Agents 13-month training program in Jamaica.

### *Risk Assessment*

58. **Most tax administrations in the Caribbean can be classified as small or even micro-sized, and are facing similar challenges, including:**

- **Political support:** a lack of buy-in from the Ministry of Finance and political directorate can lead to insufficient legal authority for tax administration to exercise its mandate in full (medium risk), failure to make key decisions to improve tax administration – due to the 5 year syndrome of general election (medium risk),
- **Centralized and ineffective Human Resource management:** incapacity to attract and retain qualified workforce in public administration.
- **Insufficient resources allocated to tax administrations to invest in IT systems in the OECS countries.**
- **Legislation and legal support:** failure to strengthen legislation (enforcement and filing of 3rd party information) and lack of legal support in most countries (high risk).
- **International tax treatment:** the region suffers from the lack of capacity to handle cross-border trading, tax planning, and is not equipped to handle digital transactions given antiquated legislation and treaties.
- **Limited capacity in ‘data analytics’ to dissect accounting and third party exchange of information transactions effectively.**

59. In order to manage the risks identified above, CARTAC will organize high level seminars to sensitize decision makers (ministries of finance, permanent secretaries, and financial secretaries) on tax administration and tax policy issues.

### **Revenue Administration–Customs**

60. **Customs in the region remains important as a revenue collection agency and this, understandably, remains its chief focus.** As can be seen in Figure 4, above, trade taxes account for approximately 30 per cent of taxes collected by CARTAC members. Much has been achieved in Phase IV of CARTAC with improvements being made in a number of different aspects of customs administration, including: increased capacity in the key areas of Classification, Valuation and Origin (CVO). Skills in these areas accurately determine duty and taxes and a high level of expertise is required. In addition, optimizing the use of risk management through the upgrading of computerized systems to ASYCUDA World; greater use of post-import controls using post clearance audit (PCA) teams to enhance compliance and facilitate trade; and enhanced strategic management with CARTAC assisting in the development of corporate, strategic, and annual business plans. A good example of this is St. Kitts and Nevis where CARTAC provided advice to ensure that the Corporate and Strategic Plan (CSP) for customs includes an action plan linking goals and priorities to specific actions – with named persons being responsible for each

priority area; resources and inputs being specified; and milestones and key performance indicators being agreed.

#### Box 5. CARTAC: Supporting Regional Integration in the OECS Customs Union

The Organization of Eastern Caribbean States (OECS) Economic Union provides a single financial and economic space within which goods, people, and capital move freely. In October 2014, CARTAC responded to a request from the OECS Commission to organize a workshop bringing together officials from border control agencies from seven OECS countries. These included Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines), together with officials from the OECS Commission, the Caribbean Community (CARICOM) Regional Organization for Standards and Quality (CROSQ), the Inter-American Institute for Cooperation on Agriculture (IICA), and Compete Caribbean.

The OECS Commission identified a number of existing internal requirements that hinder the free movement of goods. These include fiscal requirements (the tariffs and other indirect taxes and charges imposed on exports, imports, or goods in transit), physical requirements (the process of inspection to monitor goods passing national borders), and technical requirements (quantitative restrictions that impede the free movement of goods). The free circulation of goods within the OECS depends on a fully effective Common Customs Tariff (CCT) based on the principle that customs intervention of any nature is primarily conducted at the External Border. The workshop, aimed to: (i) take stock of obstacles and gaps for the free circulation of goods; (ii) identify solutions to address these challenges; (iii) prioritize the solutions; and (iv) development of an action plan to implement the strategies.

The workshop was an excellent example how CARTAC is able to advance regional initiatives in revenue administration when collaborating with other key regional organizations.

CARTAC continues to provide ongoing TA to the OECS Commission concerning revenue management and options and recently completed a trade and revenue data analysis to assist the Commission in determining the quantum of revenue that may be foregone with the introduction of the free circulation of goods regime. A further CARTAC sponsored workshop has been planned for August 2016 with delegates including CARTAC, OECS Commission, the Eastern Caribbean Central Bank, Compete Caribbean, OECS Regional Task Force, Comptrollers of Customs, Ministry of Agriculture and Bureau of Standards. This workshop is to review progress in the development of the free circulation of goods regime and to consider revenue management options.

61. **While there has been much improvement in the operations of customs across the region, much work remains to be done if the region is to be fully in line with international good practice.**<sup>24</sup> Controls are still somewhat static and moves to risk-based, selectivity interventions are incomplete. Additionally, capacity gaps remain in the core areas of CVO. Importantly, customs has not fully embraced its role in trade facilitation. Cargo clearance is generally slow, burdensome and costly, and a large percentage of freight is

<sup>24</sup> As highlighted in the Revised Kyoto Convention and WCO SAFE Framework.

subject to examination – much higher than in other parts of the world<sup>25</sup> - which has an adverse impact on economic growth (the World Bank notes that “each extra signature an exporter has to collect, reduces trade by 4.2 percent. For high-end exports, the reduction is nearly 5 percent.” and that “documents increase delays and delays decrease trade ... for every additional day of delays, trade is reduced by at least 1 percent.”).<sup>26</sup> Excessive intervention by customs also leads to rent-seeking behavior and outright corruption – both of which are reported in the region.

62. **Implementing the World Trade Organization (WTO) Bali Trade Facilitation Agreement will also be a key challenge for customs in the region.** The link between improved customs practices (including a focus on trade facilitation) and improved investment and economic performance cannot be over-emphasized and it is clear that customs in the region has much work to do. This includes educating staff in the importance of simple, quick and predictable customs processes to boost trade and investment and implementing procedures to make it happen. The management of customs in the region tends to be passive and hands off. While most have, with CARTAC assistance, developed strategic plans they still need to create, monitor, evaluate and report on key performance indicators (KPI).

63. **In this context, CARTAC’s Phase V focus should be on optimizing revenue and facilitating trade.** It will be important to ensure that the correct organizational structures are in place to support these two outcomes as well as facilitating regional integration. This will be done by continuing TA to build capacity and strengthen systems for risk management, enforcement, CVO, trade facilitation, law, management, and post clearance audit.

#### *Revenue Administration – Customs Program Phase IV*

64. **Improvements can be seen in the performance of countries where TA has been provided by CARTAC.** The unweighted average clearance time for cargo imports shows improvement from 19.6 days in 2010 to 15.85 days in 2015.<sup>27</sup> Other indicators, such as the World Bank’s *Trading Across Borders* index, show only small changes in performance. The World Economic Forum’s *Efficiency of Customs Administration* index scores two CARTAC countries only (Guyana and Jamaica) and both have shown scores improve from 2.8 and 3.4 respectively in 2010 to 3.9 and 4.2 in 2014.<sup>28</sup>

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<sup>25</sup> In Barbados, 60 percent of consignments are subject to inspection; 90 percent of consignments in Grenada. In Central American countries the inspection rate is about 25 percent, and in developed countries it is less than 10 percent.

<sup>26</sup> World Bank – Doing Business in Small Island Developing States 2009.

<sup>27</sup> World Bank Doing Business *Trading across Borders* (note: only 14 CARTAC members are rated).

<sup>28</sup> World Economic Forum – *Global Enabling Trade Reports* - Efficiency of Customs Administration Score: 1 = lowest, 7 = highest.

65. **The following areas demonstrate achievements in the customs component:**

- **Customs Law:** TA has directly contributed to the creation of a CARICOM Harmonized Model Customs Law in the region. This has been augmented by CARTAC TA to customize this legislation in Antigua and Barbuda, Dominica, Grenada, and St. Kitts and Nevis where the law has been enacted consistent with the CARICOM model. With the assistance of CARTAC, the model legislation will be drafted for Jamaica, St. Vincent and the Grenadines, and St. Lucia. The new law contains elements that underpin and enable key reform and modernization initiatives such as post clearance audit and risk based interventions.
- **Customs Technical Issues (CVO):** Import duties and taxes such as VAT at import are determined by the tariff classification, valuation, and origin (CVO) of the goods. This is the primary function of customs and a high level of expertise is necessary in these core areas of competence in order to optimize revenue. CARTAC TA has strengthened capacity and built the necessary skills across the region to support fully mature and competent units in: Antigua and Barbuda, Guyana, St. Kitts and Nevis, and St. Vincent and the Grenadines (tariff classification); and Grenada, Jamaica, St. Kitts and Nevis and St. Lucia (valuation). The other CARTAC members all have shown progressive development in skills and administrative capacity in these areas.
- **Risk-Based Intervention:** In addition to strengthened legislation and enhanced capacity in core technical areas, there is a need to change the culture of customs administration by implementing risk-based selectivity interventions and controls to strengthen both compliance and trade facilitation. CARTAC TA has strengthened risk management capacity in 11 countries in the region, and in Dominica, St. Kitts and Nevis and Jamaica risk management capacity can be considered to be mature and competent, and customs are fully able to gather, store, and analyze information (and make use of that analysis to manage selectivity criteria). Post Clearance Audit (PCA) has been strengthened in eight CARTAC customs administrations, and the PCA functions in Dominica and Jamaica are fully operational. PCA is an important tool to ensure compliance as well as build confidence that customs facilitates the trade community by expediting services for trusted partners while providing a credible defense against non-compliance. Together they are part of a holistic, risk-based, approach to facilitation and strengthened compliance.

*Priorities for CARTAC Customs Phase V*

66. **The following areas will be priorities in the Phase V customs program:**

- **Revenue Optimization:** TA will build capacity in customs technical areas (classification, valuation and origin (CVO)); risk based, selective, intervention (risk management (RM) and post clearance audit (PCA)); and enforcement (mobile anti-smuggling and investigation).

- **Trade Facilitation:** TA will aim to ensure that customs clearance times are minimized; and customs administrations establish a functioning stakeholder forum where traders can interact with the administration to identify cargo clearance impediments and share ideas for improvement. In addition, creating special arrangements, such as preferred trader schemes to facilitate compliant traders (a regional standard or arrangement could be considered under the auspices of CARICOM or OECS) where special, simplified, arrangements are put in place to help the informal trader; and an appropriate certification regime is put in place for customs clearing agents and brokers.
- **Regional Integration:** TA will augment the work by CARICOM, OECS, and others to implement the CARICOM free trade area and other arrangements to assist regional trade and economic growth. This will include work to define processes, systems and administrative arrangements for declaring goods, moving goods within the region, and revenue sharing.
- **Strengthened Management:** TA will support the development of a strong and purposeful management function. This will be done by middle management training and guidance and by assisting in the development of KPIs for customs as part of a performance measurement framework for both the internal management of customs and the management of customs by the appropriate ministry.
- **Increased Engagement:** Increased engagement is envisaged with countries such as Trinidad and Tobago, Guyana and Suriname, where engagement in the customs component in Phase IV was very limited.

### *Regional Issues*

67. **The key regional issue in customs is the deepening of the integration of CARICOM countries.** In particular, priorities include the adoption of the model customs law, together with common regulations and a common external tariff. In addition, the OECS arrangements for the free circulation of goods will require assistance to member administrations to agree and implement. Customs in the region will benefit from greater cooperation in the area of capacity building (with significant efficiency savings to be made by adopting common training programs and CVO systems) and creating practical measures for sharing operational information and mutual assistance in compliance and enforcement.

### *Coordination*

68. **A number of actors are involved in the region, providing funding and TA to the customs administrations of some CARTAC members.** This includes TA from the EU as part of the development and implementation of an Economic Partnership Agreement (EPA); bilateral assistance from the US, UK and Canada; TA from the World Customs Organization (WCO) via the Regional Office for Capacity Building and the Regional Training Center in the Dominican Republic.

### *Resources*

69. **TA delivery in line with identified priority measures can be met if resource allocation continues at the same levels as for Phase IV.** However, it is likely that there would be a reallocation of resources among countries to allow for increased engagement with Trinidad and Tobago, Guyana, and Suriname.

### *Risk Assessment*

70. **A number of risks are present in the customs component. These include:**

- ***Absorption Capacity*** - Some administrations, particularly in the smaller states, have difficulty acting on the recommendations made and could be overwhelmed by TA, so the volume of TA and its sequencing and timing are crucial.
- ***Political will*** – Many of the changes advocated by CARTAC TA require the strong support of government and opposition in order to support implementation and be effective, and could be a prerequisite to benefit from intensive TA. Effectiveness of CARTAC TA could be compromised where there are strong interests that may be in conflict with reform aims, or where changes may be necessary but politically unpopular.
- ***Sound Management*** – Management at both senior and middle levels need to have bought into reforms and need to drive those reforms. They also need to ensure that managers and supervisors monitor implementation of new systems and procedures and take corrective action where necessary.
- ***Resistance to Change*** – many customs officers feel threatened by change and may undermine or even sabotage reform efforts.
- ***Slowness of Change*** – some reforms, such as legislative changes, will inevitably, take time.

71. **Risks may be mitigated by ensuring that: TA is, as far as possible, tailored to absorption capacity of the beneficiary agencies.** In addition, a relationship needs to be maintained with customs departments to ensure a two-way flow of information regarding implementation so that limiting factors can be identified early and modifications made as needed. In addition a relationship is to be maintained at the Ministry level to ensure Ministry ownership of and buy-in to TA to assist in program monitoring and supervision.

## B. Financial Sector Stability and Supervision

72. **The severe impact of the global and regional financial crises that precipitated the onset of a global economic recession has had a wide-ranging negative financial and economic impact on the Caribbean region.** Helped in part by worsening global conditions, the collapse of CL Financial (a large regional hybrid conglomerate headquartered in Trinidad and Tobago, commonly known as CLICO), BAICO, and other financial institutions in the region had significant reverberations throughout the Caribbean and particularly in the Organization of Eastern Caribbean States (OECS). This failure, which significantly shook public confidence in the regional financial system, has made policy makers in the Caribbean more acutely aware of the dangers that systemic and contagion risks pose for financial and macroeconomic stability. It has also brought into sharp focus the need for a more robust financial risk architecture, in which macro-prudential policy and financial stability play a more central role in the overall management of the regional financial system.

### Box 6. Weaknesses in the Caribbean Financial Sector

- Inadequacies in the region's information base for financial soundness and macro-prudential indicators;
- Weaknesses in the process of cross-border consultations and information sharing for financial sector regulation;
- The lack of an organized macro-prudential policy framework that emphasizes limiting systemic risk and enhancing macro-prudential supervision;
- Gaps in risk identification and in financial sector analysis and reporting; and
- The lack of effective crisis preparedness/management plans and resolution frameworks.
- Weak and outdated legislation which does not provide for the autonomy and independence of central banks and other regulators to function credibly. Insufficient consolidated supervision of conglomerates and other financial entities operating across sectors and across borders.
- Outdated capital adequacy requirements for banks and non-banks which were not based on thorough assessments of risk profile.
- Inadequate supervisory processes with limited formalized and documented guidelines for corporate governance, consolidated supervision, risk-based supervision and capital adequacy requirements, consistent with international minimum requirements.
- Limited supervisory capacity both in terms of the number of supervisors with direct responsibilities for the supervision and regulation of licensed financial entities as well as expertise in financial sector supervision and regulation.

73. **The regional financial crisis has also placed financial sector supervision and regulation in the heart of a maelstrom, forcing financial sector regulators to rethink their approach to supervision and regulation.** Regionally, evidence of this is seen in significant efforts to revamp legislation and regulations particularly in the ECCU, Jamaica, and Trinidad and Tobago; enhancements to supervisory processes through the development and issuance of new and revised guidelines for capital adequacy, governance and risk management; the introduction of processes to identify and supervise Systemically Important Financial Institutions (SIFI);

acceleration of stress testing for both banks and non-banks and increased capacity building by way of training of regulators for banks and non-bank supervisors. These efforts are aimed at addressing some of the systematic weaknesses in financial sector supervision and regulations, highlighted during the global and regional crises, which persist.

### Financial Stability (FS)

#### Box 7. CARTAC Dynamic Model and Stress Testing of ECCU Banking System

The financial sector in the ECCU region is dominated by 40 commercial banks (14 indigenously owned, with 26 foreign owned) which at end-2013 had an overall asset base of EC\$26.7 billion—approximately 165.5 per cent of the GDP of the entire currency union. In the aftermath of the global financial crisis, the economies of the OECS experienced increased economic stress as the fortunes of the tourism sector, from which so much of economic performance depends, have waned. In the prevailing regional environment of relatively sluggish economic growth, the financial positions in both the indigenous and foreign-owned banks have also come under some degree of pressure with non-performing loans (NPLs), as a percentage of the total loans in the banking system, climbing to double-digit levels.

With financial stability conditions under threat, the ECCB embarked on a dynamic modeling project to support a wider overall restructuring and resolution strategy of its banking system. As a complement to this wider project geared at strengthening the ECCB banking sector, CARTAC has been providing extensive technical assistance (TA) to the ECCB on dynamic modeling (stress-testing) of the ECCU banking system.

A major aspect of CARTAC's TA has been to help the central bank undertake top-down dynamic stress tests of seven domestic banks and four international banks spread across seven countries of the ECCU region (Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, Montserrat, St. Lucia, and St. Vincent and the Grenadines). The exercise has focused on helping the ECCB (a) build a dynamic econometric model of the banking sector that can be used to assess banking performance under baseline and stress conditions, and (b) upgrade the capability of the ECCB staff to deploy the dynamic modeling methodology to conduct stress tests on an on-going basis of the ECCU banking system.

74. **Since its inception in 2014, 29 the Financial Stability program steadily gained traction among regulators across the Caribbean region.** Encouraging progress has been made in:

- **Financial Soundness and Stability Indicators:** The FS program has helped establish, for the first time, a suite of financial stability and health indicators for the insurance sector in three countries (Barbados, Belize, Suriname); for the pension sector in Barbados; and for capital markets (the securities sector) in Trinidad and Tobago. Countries have started to produce some of these indicators internally, and to use them to help better regulate the financial system.

<sup>29</sup> The Resident Adviser on Financial Stability assumed duties on April 27, 2014 and the financial stability work plan was approved at the CARTAC Steering Committee Meeting in December 2014.

- **Macro-prudential Frameworks:** Training on macro-prudential and systemic risk indicators were conducted for around 100 regulators in 17 of the CARTAC member countries, and a suite of macro-prudential and systemic risk indicators were developed for Guyana, Belize, and Suriname.
- **Stress Testing:** Stress testing frameworks in the banking system were strengthened, and improved stress tests were conducted for the banking sectors in Belize, and for domestic and foreign-owned banks in seven countries of the ECCU region (Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, Montserrat, St. Lucia, and St. Vincent and the Grenadines). More importantly, stress testing was extended to the insurance sector in Barbados, Belize, and Suriname; to the securities market in Trinidad and Tobago, and to the credit union sector in Barbados. Regulatory authorities in these countries have also started to conduct top-down stress tests of these segments of the financial system.
- **Crisis Preparedness and Management:** Work focused on strengthening the Barbados Financial Stability Plan, as well as the draft Regional Financial Crisis Management (which is a collaborative effort among the central banks of the Caribbean region). Regulators involved with these plans are already taking on board many of the recommendations for strengthening their frameworks and plans.

#### *Priorities for CARTAC FS in Phase V*

75. **While the region has made gains in solidifying the financial risk architecture for the banking system, the non-banking sector remains a potential “Achilles heel.”** The sector has often been the source of several of the larger financial sector crises in the region. The FS and Financial Sector Supervision (FSS) programs held a strategic meeting with financial sector regulators in the Caribbean in September 2015 to determine priority areas for TA in CARTAC’s Phase V.

76. **Financial sector regulators highlighted some key deficiencies in the system.** Most notably, they mentioned: (a) gaps in the development of indicators for the credit union, insurance, pension, and securities sectors in many countries; (b) the non-existence of stress tests and gaps in stress testing capability in the credit union, insurance, pension, and securities segments; (c) the absence of **Macro-Prudential** and Systemic Risk Indicators in most countries; (d) the non-existence of macro-prudential policy frameworks and potential tools in all CARTAC member countries (save Jamaica); and (e) incomplete frameworks for Crisis Preparedness and Resolution in the financial sector.

77. **In Phase V, efforts will concentrate on consolidating the FS program, with an increased focus on the non-deposit-taking segment of the financial system.** The ultimate objective is to help countries better marry the macro-prudential and micro-prudential elements of the risk architecture, so as to **provide** a more integrated framework for regulating and supervising the financial sector, and for enhancing overall financial stability. The priority areas are as follows:

- **Developing financial health and stability indicators for the non-bank sector:** Deepening technical training on FSIs; developing reporting forms for the pensions and securities markets; developing reporting forms and indicators for the real estate sector (especially a prices index); and establishing an appropriate suite of financial stability indicators for pensions, insurance, credit unions, and securities markets.
- **Improving information and analysis of financial sector interconnectedness:** Enhancing training on financial sector interconnectedness, developing interconnectedness maps for key segments of the financial system (banking, insurance, pensions, credit unions, and securities markets) in conjunction with IMF headquarters; and re-starting flow-of-funds tables in Jamaica, Trinidad and Tobago, and Barbados.
- **Extending stress-testing to the credit union sector and the non-Deposit Taking Institution (DTI) segment of the financial system:** Improving stress-testing capabilities in the non-DTI sector through enhanced training; consolidating stress testing frameworks and conducting stress tests in the insurance, pensions, and credit union sectors; as well as performing a region-wide stress test of a SIFI.
- **Establishing macro-prudential policy frameworks:** Developing analytical capability on systemic risk analysis and establishing a suite of macro-prudential and systemic risk indicators appropriate for the Caribbean economic reality; helping countries to develop and introduce macro-prudential policy and operational frameworks supported by a suitable macro-prudential toolkit; and building macro-financial linkage models.
- **Further developing financial crisis preparedness and management frameworks, including financial safety nets:** Developing financial contingency strategies and crisis preparedness plans and assisting in the introduction of a joint deposit insurance scheme in the ECCU and new deposit insurance schemes in Belize, Guyana, Haiti and Suriname, to be introduced once preconditions are met.<sup>30</sup>

### *Regional Issues*

78. **Regulatory authorities have embarked on a few collaborative regional projects in the financial stability area that will need support in Phase V.** These include: (i) the interconnectedness **project** being undertaken by the Committee of Central Bank Governors, and supported in its first phase by IMF HQ; (ii) the regional financial stability report project initiated by the Caribbean Centre for Money and Finance (CCMF) and the IDB, and (iii) the regional crisis management plan.

79. **At the CARICOM level, a study is being conducted to assess the feasibility of introducing deposit insurance schemes in some CARICOM member states.** In the OECS, there is also an on-going project on an overall restructuring and resolution strategy for the ECCU

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<sup>30</sup> Deposit Insurance Schemes (DIS) already exist in four countries: The Bahamas, Barbados, Jamaica and Trinidad and Tobago.

banking system. These projects are quite important for solidifying the financial stability framework at the regional level and for improving collaboration among regional regulatory groups.<sup>31</sup> CARTAC will lend support to these initiatives as a means of building regional capacity and strengthening financial stability.

### Financial Sector Supervision (FSS)

80. **In Phase IV, the FSS program focused on strengthening the legal and regulatory financial sector framework, enhancing supervisory and regulatory processes, strengthening the financial stability framework and crisis preparedness processes and enhancing supervisory expertise.**<sup>32</sup> TA outcomes were aligned to the FSS strategic objective of strengthening financial sector regulation, and enhancing supervisory procedures using harmonized approaches in accordance with international standards. In the region, the TA program was geared at advancing the financial sector supervision and regulation reform agenda in banking, insurance, pensions, credit unions, and the securities sectors.

#### *Priorities for CARTAC FSS Phase V*

81. **Efforts will continue to strengthen financial sector supervision processes for banks and non-banks and build capacity through training in financial sector supervision and regulation.** As noted above, the FS and FSS advisors jointly held a strategic meeting with financial sector regulators in the Caribbean in September 2015, aimed at determining priority areas for TA for Phase V of CARTAC.

82. **With reference to the FSS work stream, the survey forms highlighted and confirmed some key deficiencies in the system.** The most important of these are: (a) inadequate problem

#### Box 8. Phase IV – Major Achievements in Financial Sector Supervision

- Seventeen of the twenty CARTAC member countries implementing Basel II over through 2016. Most are on track.
- Risk Based Supervision, Consolidated Supervision and Supervisory Intervention guidelines were developed for the region.
- Supervision and Regulatory Practices in the ECCU Single Regulatory Units (SRU) were strengthened through onsite reviews of insurance companies, credit unions, and offshore banks.
- Credit union regional independent regulatory group was formed.
- Over 950 financial sector regulators were trained.

<sup>31</sup> The main regional financial regulatory associations are (1) the Caribbean Group of Banking Supervisors (CGBS); (2) the Caribbean Association of Credit Union Supervisors (CACUS); the Caribbean Association of Pension Supervisors (CAPS); the Caribbean Group of Securities Regulators (CGSR) and the Caribbean Association of Insurance Regulators (CAIR).

<sup>32</sup> Prior to the appointment of FS Advisor in April 2014, the FSS program had as one of its major outcomes, the strengthening of financial stability frameworks and crisis preparedness planning.

bank resolution, **weak** credit risk management, and high levels of loan delinquency in the banking and credit union sectors; (b) poor implementation of the Basel core principles; (c) general absence of frameworks for the registration, licensing, and onsite supervision of pension plans; (d) delays in the passing of legislation for the insurance and pension sectors, especially in the ECCU; (e) delays in issuing regulations for the credit union sector; (f) inadequate training of credit union supervisory staff; (g) absence of a takeover code for securities firms in the region; and (h) gaps in the capital adequacy framework for securities firms.

83. **Going into Phase V, the key outcomes targeted will remain relatively unchanged.** The focus will continue to be on strengthening the legal and regulatory frameworks, enhancing supervisory processes for banks **and** non-banks, and capacity building via the training of supervisory staff, as follows:

- **Basel II and III implementation:** Consolidating Basel II implementation and accelerating Basel III to include the development of supervisory standards to enhance capital adequacy and liquidity risk management in regional banks;
- **Development and implementation of asset quality guidelines:** Assist in the development and implementation of guidelines for credit classification and provisioning for banks and credit unions;
- **Implementation of risk weighted capital adequacy requirements for credit unions;**
- **Strengthening legislative and regulatory frameworks for insurance companies, particularly in the ECCU:** Implementation of revised harmonized insurance law and regulations to supervise insurance companies in the ECCU and other territories;
- **Intensifying the implementation of corporate governance, risk-based supervision, supervisory intervention and consolidated supervision standards for banking, insurance, and securities firms;**
- **Strengthen capacity of supervisors to conduct financial sector supervision for both banks and non-banks:** Continued collaboration with regional regulatory bodies<sup>33</sup> to provide training for banks and non-banks supervisors. Additionally, collaboration should continue with the regional universities to identify and place graduate students in the financial sector supervision summer internship program.

### *Regional Issues*

84. **The implementation of Basel II, one of the most comprehensive reforms of supervision and regulatory standards in the Caribbean, is being pursued in collaboration with the Caribbean Group of Banking Supervisors (CGBS).** The Central Bank of Barbados is the current chair of the technical working group for Basel II implementation. Within the credit

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<sup>33</sup> CGBS, CGSR, CAIR, CAPS and CACS.

union sector, work to implement a risk weighted capital adequacy framework for credit unions in the ECCU is being spearheaded by Grenada and St. Vincent and the Grenadines. Additionally, the development of actuarial standards for insurance and pension and a takeover code for securities firms are also regional initiatives being spearheaded by the Jamaica Financial Services Commission. The FSS advisor continues to collaborate with the five regional regulatory bodies in identifying training needs and providing training to supervisors through regional workshops, at least one per sector, held annually. The continued sustainability of support to these regional regulatory bodies that have become reliant upon CARTAC for capacity building will be an important matter for consideration in planning for CARTAC after the end of Phase V.

#### *Coordination (FS and FSS)*

85. **Some development partners participating in regional projects, for example the Canadian Government and DFID, are also contributors to CARTAC.** Effective co-ordination of development partner support is crucial to ensure the complementarity of projects and to avoid unnecessary overlap, and is likely to be more pronounced in the area of financial safety nets. In the area of AML/CFT, the FSS advisor will collaborate closely with an IMF regional resident advisor with responsibility for the Caribbean who is being positioned in Panama in early-2016.

#### *Resources (FS and FSS)*

86. **Three areas are likely to place great demands on the time of the long-term and short-term experts.** These areas (macro-prudential policy frameworks, contingency plans/safety nets and financial sector interconnectedness) could perhaps deploy close to 60 per cent of the financial stability budgetary allocation.

87. **The concentration on Basel II and III implementation and the implementation of the risk-weighted capital adequacy framework for credit unions are likely to absorb significant resources in Phase V.** Additionally, regional workshops to provide training to regulators in collaboration with the five regional regulatory bodies will continue to require substantial resources. Budget resources may need to be reprioritized to undertake a comprehensive review of loan portfolios of credit unions as well as assistance with the review of Internal Capital Adequacy Assessments Process (ICAAP) under pillar II of the Basel implementation program.

#### *Risk Assessment (FS and FSS)*

88. **There are several risks that could impact the successful implementation of Phase V of CARTAC's financial sector programs:**

- **Inadequate human capital in regulatory bodies:** Inadequate staff resources, compounded by frequent turnover of staff, are a perennial concern in several regulatory bodies, including central banks.

- **Delays in passage of legislation and regulations:** This has proven to be a significant obstacle to FSS reforms in some countries, and is likely to continue into Phase V, and could be a factor in the continuation of further TA for such countries until addressed.
- **Weak database and information architectures:** The maintenance of financial stability indicators, analysis of financial sector risks and rating of institutions are being severely hampered by inadequate database systems and workflow processes. This is particularly pronounced among the single regulatory units (SRU) in the ECCU. Despite the solid TA being given with respect to the development of reporting forms and methodologies, progress in many countries is likely to be slow given current information management systems and practices. To circumvent this problem, some consideration ought to be given to putting in place a collaborative mechanism either jointly with the World Bank, IDB, United Nations Statistics Division (UNSD)/UNDP to fund integrated database systems in the region. This would allow regulators to more easily share information as well as collaborate on regulation, supervision and analytics.
- **Lack of confidence to take on board new reforms:** Some regulators do not yet feel comfortable and confident enough to adopt new and innovative solutions that they believe have not yet been fully tried and tested for fear of making costly mistakes. They are prepared to wait a while until some of these financial stability policy reforms become more deep-seated and ubiquitous at the global level.
- **Some regulators are hesitant to move to the next step of the Basel II implementation program.** This should involve industry sensitization and consultations on the guidelines developed under the regional CGBS initiative. Additionally, some supervisors do not see the linkages between the Basel core principles and the Basel Capital Accord/Basel II implementation, and therefore spend significant time and financial resources duplicating standards already developed for the region.

89. **To mitigate these risks, CARTAC has been intensifying its training of regional financial sector regulators in the area of macro-prudential policy and financial stability to build greater awareness, support and commitment.**

### C. Macroeconomic Statistics and Analysis

#### Real and External Sector Statistics

90. **Improving and expanding the quality and range of external sector, national accounts, and prices statistics in the Caribbean region is particularly challenging.** Comprehensive and good quality **economic** and financial statistics are a prerequisite to effective planning, policy and program development, and monitoring and evaluation at the national and regional level. With a few exceptions, national statistics offices (NSO) do not have multi-year budgets or strategies for producing and updating their economic statistics programs on a regular basis. At this time, no NSO has developed an economic statistics strategy and only a few NSOs have prepared a national statistics development strategy. Staffing levels in economic statistics

units are inadequate for all NSOs, without exception. There is insufficient staff for data collection, as well as compilation. Staff capacity, in terms of experience and skills, varies across NSOs and is largely constrained by remuneration levels. In addition to budget constraints restricting the NSOs' capacity to address significant data gaps, response rates for existing surveys are generally poor due to inadequate legislation. Data sharing among some official institutions is generally far from expeditious, and thus sometimes hampers timeliness and accuracy in the national accounts estimates. While Central Banks usually have the authority to collect data from financial institutions, they have limited authority to collect data from nonfinancial enterprises. However, more recently some governments and central banks are starting to recognize the need to address the significant data gaps and inadequate funding for economic statistics. For example, the NSOs in The Bahamas and Trinidad and Tobago are now operating out of new facilities; while other NSOs are starting to recruit additional staff.

91. **Going forward, it will be important for CARTAC to support the NSOs in the development of country-specific multiyear (5-year) development plans and strategies that are appropriately resourced in order to expand and improve the external sector, national accounts, and prices statistics.**

92. **Working closely with other TA providers and development partners, CARTAC's TA and capacity building during Phase IV has focused on IMF core competencies, in relation to the General Data Dissemination System (now the e-GDDS) framework.**<sup>34</sup> The pace of development and the achievements have been limited for most countries due to significant data gaps, inadequate budgets, IT, other infrastructure, and staffing.

### *National Accounts*

93. **The TA provided by CARTAC has supported a number of projects.** These include the rebasing of the GDP by Barbados, Bermuda, and Suriname; compilation of annual GDP estimates by the expenditure approach for Grenada, St. Vincent and the Grenadines, and Suriname; compilation of quarterly GDP estimates by the production approach for The Bahamas, Barbados and St. Lucia; compilation of quarterly GDP estimates by the expenditure approach for Bahamas, Bermuda; and improvement in quarterly seasonally adjusted GDP estimates for Jamaica. In addition, CARTAC contributed its expertise to various member states in relation to the International Comparison Program (ICP). The results of this project were released in May 2014.

94. **Assistance has also been provided to improve statistical techniques and implement the latest international standards.** Comprehensive reviews of concepts, sources, and methods have been conducted for Bermuda, British Virgin Islands, Cayman Islands, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines to identify data gaps and prioritize data collection; and improve compilation and dissemination. Medium-term development plans have been

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<sup>34</sup> The frameworks of the IMF Data Dissemination include the Data Quality Assessment Framework (DQAF), the Enhanced-GDDS (e-GDDS), Special Data Dissemination Standard (SDDS), and SDDS Plus.

prepared for these countries. Similar reviews are expected to be conducted and medium-term development plans prepared by December 2016 for Anguilla, Antigua and Barbuda, The Bahamas, Barbados, Belize, Grenada, Jamaica, Suriname, Trinidad and Tobago, and Turks and Caicos. As of December 2016, most member states are broadly consistent with the 1993 System of National Accounts (SNA) standards and several have commenced implementing the 2008 SNA changes; completed the rebasing of their annual GDP estimates; and disseminated quarterly GDP by economic activity at current and constant prices.

**95. The main achievements by CARTAC members to end 2015 include:**

- All 20 CARTAC members are disseminating annual GDP-P estimates at both current and constant prices.
- Annual GDP-E estimates at current prices disseminated by 17 member states and annual GDP-E at constant prices by 7 member states.
- Annual estimates of the other national accounts aggregates up to net lending/borrowing being produced by 10 member states.
- Five member states producing either quarterly GDP-P or GDP-E estimates.

*Prices Statistics*

**96. Support has been provided to several member countries in improving compilation techniques and/or rebasing of price indices.** With CARTAC assistance, Anguilla, Antigua and Barbuda, The Bahamas, Barbados, Belize, Montserrat, and Trinidad and Tobago improved and rebased the CPI; Cayman Islands, and Turks and Caicos improved the CPI methodology; Barbados and Trinidad and Tobago improved and rebased the Producer Price Index (PPI); and Anguilla, Bahamas, and Barbados improved and/or rebased their Export and Import Price Indices (XMPIS), consistent with the international standards and good practices.

*External Sector Statistics (ESS): Balance of Payments/International Investment Position*

**97. TA and training on external sector statistics has included helping a number of economies to improve the quality and the coverage of their external sector statistics.** In particular the work program assisted members in their efforts to implement the recommendations of BPM6, produce International Investment Position (IIP) statistics and to compile data required for participation in the Coordinated Direct Investment Survey (CDIS). The compilation framework inclusive of data sources, survey practices, and compilation practices were reviewed and action plans for improvements developed for several economies.

**98. Under the ESS work program, the main achievements made by CARTAC members to the end 2015 include:**

- Compiling agencies' capacity has improved with more than 50 officials trained on developing source of data and compilation methods according to best practices.

- The ECCU and its eight member economies have implemented new set of business surveys for both balance of payments and IIP specific several topics. Antigua and Barbuda, Grenada, and St. Lucia have also implemented new visitor expenditure surveys.
- The ECCU and its eight member economies have compiled and disseminated annual balance of payments and IIP statistics following BPM6 guidelines.<sup>35</sup>
- Barbados have compiled and disseminated balance of payments and IIP statistics following BPM6 guidelines.<sup>36</sup>
- Bermuda have compiled and disseminated, for first time, annual IIP statistics following BPM6 guidelines.<sup>37</sup>

*Priorities for CARTAC Real and External Sector Statistics in Phase V*

99. **CARTAC is expected to continue to play an important role in providing TA and building capacity in the Caribbean to expand the range and improve the quality of national accounts, prices, and external sector statistics.** It will be important for CARTAC to support the NSOs in the development of country-specific multiyear (5-year) development plans and strategies. Similarly, STA will continue supporting the development of Monetary and Financial Statistics (MFS), Financial Soundness Indicators (FSI) and Government Finance Statistics (GFS) in the region. CARTAC will support the TA being provided by STA on GFS. In partnership with other regional and international agencies, including the ECCB, Caribbean Community Secretariat (CCS) and STA, CARTAC will build capacity through regional training workshops on external sector, national accounts, and prices statistics. Working closely with other TA providers and development partners, CARTAC will build capacity and assist member countries to improve the coverage, accuracy, reliability, frequency, and timeliness of these statistics; as well as assisting with the implementation of the latest international statistical classifications and standards. Providing advice on strengthening the national statistical infrastructure and systems, as well as improving the underlying source data for these statistics will be an important aspect of CARTAC TA.

100. **CARTAC has already identified priorities in a number of countries.** In Jamaica, CARTAC will assist the authorities to meet the Special Data Dissemination Standard (SDDS) requirements in terms of the range and timeliness of external sector, national accounts and prices

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<sup>35</sup>Summary tables of preliminary balance of payments and IIP for 2014 are available in the ECCB's website. Balance of payments statistics were previously compiled and disseminated according to the Balance of Payments Manual, fifth edition. IIP statistics have been compiled for first time.

<sup>36</sup>Data up to 2013 have been submitted to STA by the Central Bank of Barbados and disseminated in the IMF's Balance of Payments Statistics Yearbook 2015. Both data sets of statistics were previously compiled and disseminated according to the Balance of Payments Manual, fifth edition.

<sup>37</sup>Data for 2013 and 2014 were submitted to STA by the Bermuda's Statistics Department and disseminated in the IMF's Balance of Payments Statistics Yearbook 2015.

statistics. CARTAC will assist Antigua and Barbuda, The Bahamas, Barbados, Bermuda, Grenada, St. Kitts and Nevis, St. Lucia, Suriname, and Trinidad and Tobago to make progress towards subscribing to the SDDS (by first implementing the e-GDDS); and assist other member countries in expanding and improving these statistics to align with the e-GDDS requirements. For subscription, the IMF considers all of the Data Quality Assessment Framework (DQAF) dimensions, particularly the periodicity and timeliness of data dissemination.<sup>38</sup> CARTAC will provide assistance on these DQAF dimensions mainly for external sector, national accounts, and prices statistics. In addition, CARTAC will promote data consistency across macroeconomic statistics produced by national statistical agencies, using agreed common definitions of financial instruments, economic sectors, and valuation. However, TA support from STA will be required on financial sector and government finance statistics in order for countries to be in a position to be able to fully implement e-GDDS or subscribe to SDDS. It will also be necessary to assist members in securing TA support from other development partners on data collection and estimation of quarterly labor force variables (employment, unemployment and wages); and the monthly index of industrial production and merchandise trade statistics.

### *National Accounts Statistics*

101. **CARTAC will continue to assist its member countries in improving and expanding national account statistics (NAS) through TA delivery and training.** Specifically, assistance will be provided to develop supply and use tables (SUT) and input/output matrices as part of the 2017 round of GDP rebasing process,<sup>39</sup> support the rebasing of GDP; continue to improve annual GDP-P and develop quarterly GDP-P; develop independent estimates of annual GDP-E at current and constant prices; commence development of annual institutional sector accounts and balance sheets; commence compiling quarterly estimates of other key NAS aggregates (e.g. gross national income, national savings); and develop quarterly seasonally adjusted GDP estimates, as requested. Advice and assistance with improving the underlying data sources; and implementing the changes in methodology covered by the 2008 SNA and the latest classifications (e.g., International Standard Industry Classification Revision 4) will be key objectives of this module.

### *Prices Statistics*

102. **With a number of countries (e.g. The Bahamas, Jamaica and St. Lucia) planning to conduct household budget surveys, CARTAC will support these member countries on the next round of rebasing of the CPI.** Support will also be provided with rebasing and to improve the relevance of industry coverage and the frequency of the PPI; and to help countries transition

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<sup>38</sup> The dimensions of this framework cover country prerequisites of quality, assurances of integrity, methodological soundness, accuracy and reliability, serviceability, and accessibility. CARTAC's assistance will focus on methodological soundness, and the accuracy and reliability of data.

<sup>39</sup> Consistent with the 2008 SNA, the IMF Statistics Department recommends rebasing GDP constant price estimates at least on a five-yearly basis if annual chain-linking is not possible.

from trade unit value indices to XMPPIs based on prices surveys. These improvements to prices statistics will be consistent with good practices and the latest standards.<sup>40</sup>

### *External Sector Statistics*

**103. CARTAC will also continue to assist member states to further develop compilation and dissemination procedures in line with international standards and good practices.**

During Phase V, further assistance will be provided to member states in the following areas: (1) improving the timeliness of the BOP statistics (especially in the ECCU countries); (2) alignment of existing compilation and dissemination systems with the BPM6; (3) compilation and dissemination of BOP with an emphasis on quality enhancements to travel and remittances sub-account data; (4) compilation and dissemination of IIP statistics and quality enhancement of financial account data; (5) compilation and dissemination of external debt statistics; and (6) compilation of statistics for participation in CDIS and Coordinated Portfolio Investment Survey (CPIS).

### *Regional Issues*

**104. CARTAC will support the implementation of regional statistics initiatives.**

Specifically, CARTAC aims to work, discuss, and establish with member countries harmonized statistical methodologies, classifications, data dissemination practices, and legal and institutional frameworks for producing sound economic and financial statistics. CARTAC and other regional development partners (e.g., CARICOM, ECCB, and the PRASC<sup>41</sup> being implemented by Statistics Canada) will conduct regional workshops where members can share experience, act as peer group reviewers, and promote networking. The Caribbean Community Secretariat (CCS) will be supported by CARTAC on harmonizing the national accounts and prices statistics; and ECCB will continue to be supported by CARTAC in harmonizing external sector statistics for member countries.

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<sup>40</sup> Consumer Price Index Manual, 2004; the Producer Price Index Manual, 2004; the Export and Import Price Indices Manual, 2009.

<sup>41</sup> The Project for the Regional Advancement of Statistics in the Caribbean (PRASC) is a Canadian Government funded initiative being implemented by Statistics Canada. The participating states include Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

#### Box 9. CARTAC and ECCB Partner to upgrade Balance of Payment Statistics in the ECCU

In 2014, CARTAC partnered with the Balance of Payment and National Accounts Unit at the ECCB to implement the IMF Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6) in the ECCU and to produce the first set of international Investment Position (IIP) statistics for the ECCU and member economies. To meet the requirements in the revised manual and to address the existing data gaps, new survey forms were developed and the survey sample expanded—thus improving coverage.

Together with the ECCB, CARTAC worked with National Statistical Offices (NSO) to increase the capacity of compilers and respondents to use the new survey instruments, including an extensive training and sensitization program involving 450 respondents from the public and the private sectors. Training was conducted for compilers in the NSOs and focused on general concepts and compilation practices of BOP (and other external sector statistics), while exercises provided participants with an opportunity to put knowledge learned into practice. During workshops, participants shared their experiences, compilation practices, and challenges encountered in the compilation of ESS in their economies. Also, the participants interacted with the presenters on a bilateral basis seeking advice on specific compilation issues in their economies

Surveys were conducted in all the member territories using the revised survey instruments during February 2015 to April 2015 and the compilation of the BOP estimates started in June 2015. These external sector statistics were compiled for the year 2014 and published by the ECCB.

#### *Coordination*

105. **CARTAC will continue to work closely with other TA providers in the region, especially the PRASC.** CARTAC is expected to assist member states on BOP, external debt, IIP, CPI and PPI, annual and quarterly GDP-P statistics; initial SUT framework; institutional financial accounts and balance sheets; and peer reviewing the completed SUT and rebasing the GDP estimates. The PRASC is expected to assist with improving administrative data; business registers; business and household budget surveys; government finance statistics; international merchandise trade; international trade in services; and developing XMPs. In addition, the PRASC will assist with compiling SUT; annual and quarterly GDP-E; tourism satellite accounts; and institutional sector current and capital accounts. CARTAC will also assist the six non-PRASC members in each of the areas discussed above, as relevant. In its efforts toward harmonization and regional development, CARTAC plans to conduct four training activities per year, two on BOP, one on national accounts, and one on prices.

#### *Resources*

106. **TA resource utilization for the real and external sector statistics programs is expected to be approximately similar to activity levels in the final year of Phase IV.** During this time, a resident advisor in each sector was in place throughout the year, delivering a balanced program across various TA modalities including LTX and STX missions as well as regional and in-country workshops and seminars.

### *Risk assessment*

107. **The main risks to implementation and sustainability of both the RSS and ESS programs are insufficient commitment and ownership of the authorities and Ministries of Finance.** There has been a general failure to assign sufficient and qualified resources, both human and financial, to the different statistical projects; loss of trained staff; lack of effective data coordination and sharing; and a reluctance to use compliance procedures in order to improve survey responses rates.

### **Macroeconomic Programming and Analysis**

108. **Since CARTAC's inception, member countries' macroeconomic policy institutions have evolved.** Ministries of Finance and Central Banks have moved from undertaking transactional budgetary and revenue operations (such as the collection of taxes and making budgetary payments) to providing macroeconomic and fiscal policy advice to government. This is consistent with the experience globally, that as economic development occurs and economic management becomes far more complex, there is a greater demand from policy makers for high quality, timely and strategic advice from their civil service and other arms of government. The creation and growth of MFPU in the Caribbean region's Finance Ministries represents this transition to a more policy-orientated and analytical civil service. By 2015, almost all CARTAC countries had an MFPU in contrast to just a decade ago.

109. **While the creation of the MFPU is a positive outcome in the evolution of macroeconomic capacity development in the region, significant gaps remain.** These include: inadequate staffing; poorly assigned responsibilities; inadequate training with respect to IT; and a lack of regularized briefings to senior policy makers. These gaps, combined with the prolonged macroeconomic and fiscal policy difficulties faced by the majority of countries in the region, will frame the priorities for the Macroeconomic program entering Phase V.

110. **During Phase IV, the Macroeconomic TA program focused on strengthening the MFPU in the ECCU states, as well as an expansion of assistance to non-ECCU**

#### **Box 10. The Role of Macro Fiscal Policy Units (MFPU)**

An MFPU, at least in theory, should be devoted to macroeconomic and fiscal policy as opposed to the traditional transactional and regulatory functions of a finance ministry. A well-resourced MFPU is able to provide timely and high quality policy advice to senior public officials and the Cabinet.

This strategic center of advice is in a position to move beyond the administrative duties of other governmental agencies, to evaluate policy within medium-term frameworks that take into account the sustainability of the nation's finances. This is especially important during the annual budget process, where CARTAC has supported the adoption of Medium-term Macroeconomic and Fiscal Frameworks (MTFFs). MTFFs are important in ensuring that all budgetary proposals are fiscally sustainable. A strong and competent MFPU is therefore critical in this process, as they are the bastions of the MTFF.

**countries.**<sup>42</sup> While progress has been slow, five of the eight ECCU countries that received CARTAC TA during the phase are now regularly submitting a medium-term macroeconomic and fiscal strategy to cabinet.<sup>43</sup> All but two ECCU countries have an established MFPU, and one country has committed to establishing one. Outside the ECCU, the CARTAC Macroeconomic program became active in Barbados, Turks and Caicos Islands, Trinidad and Tobago, Suriname, and Guyana. Additional countries are expected to be included in the TA program before the end of Phase IV.

**111. Throughout Phase IV the Macroeconomic program has continued to sponsor an annual training course run by the IMF’s Institute for Capacity Development (ICD).** This annual course brings the most innovative tools and techniques in the field of macroeconomic analysis to the regions Central Banks and Ministries of Finance. Recent topics include: debt sustainability; macroeconomic and fiscal policy; and financial programming. This annual training event allows macroeconomic practitioners in the region to identify the gaps in their own analytical toolkit, and apply changes once they return home.

**112. The Macroeconomic program also supports the training of regional economists through the annual internship program.** The internship program has placed the top economic students in their final year of study at the University of the West Indies (UWI) into the region’s Central Banks and other financial regulators for a period of up to three months to undertake a research assignment. Each year many of the students have been given employment opportunities at their host institution and other regional economic institutions such as a Finance Ministry. CARTAC has played a critical role in ensuring the top economic talent graduating each year contributes back to the region’s public policy institutions instead of finding employment elsewhere. By the end of Phase IV, the program will have placed over 40 students in Central Banks in the region.

**113. Macroeconomic analysis requires interaction with other TA areas at CARTAC especially in the areas of Statistics and PFM.** A new development during Phase IV saw the macroeconomic adviser present at several regional statistics workshops on the importance of statistics to macroeconomic analysis. There have been several joint workshops with PFM to ensure that the medium-term macroeconomic and fiscal frameworks produced by the regions MFPU are at the centerpiece of the annual budget process (a core area of PFM). This crosscutting work between TA sectors has meant that member countries are more aware of their own intra-ministry/central bank linkages that can be applied in their own working environments.

*Priorities for the CARTAC Macroeconomic Program in Phase V*

**114. While many countries now have an established MFPU delivering critical pieces of macroeconomic and fiscal policy advice, significant weaknesses remain.** Given these weakness it will be necessary to adjust the objectives and delivery of the Macroeconomic

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<sup>42</sup> Program was focused on mainly ECCU countries until 2013.

<sup>43</sup> Dominica, Grenada, St. Lucia, St. Kitts and Nevis, and St. Vincent and the Grenadines.

analysis TA program entering Phase V, through a renewed emphasis on providing policy makers with more timely and critical analysis of economic events. Given the high levels of debt experienced by many countries in the region it will be even more critical going into Phase V to emphasize the need for government policy decisions to be decided in the context of a medium-term framework that ensures fiscal and debt sustainability.

115. **In areas of transparency CARTAC member countries score quite poorly.** As such, it will be vital that the program is able to support the publishing of macroeconomic and fiscal information where possible. To achieve these renewed priorities, having the institutional structures for macroeconomic policy advice in place in each country will also be a priority.

116. **For these renewed priorities, the strategic objective of the program will be to support “well-functioning macroeconomic policy and institutions.”** To meet this updated objective, the log frame now has four outcomes and a new set of measureable indicators (linked, where possible to PEFA) to verify success through Phase V as follows:

1. Improve the quality and frequency of macroeconomic surveillance and policy/research available for policymaking.
2. Sound medium-term macroeconomic framework (inclusive of GDP and inflation, commodity prices, the external and monetary sectors, and fiscal aggregates).
3. Strong institutional structures for macroeconomic policymaking.
4. Improved public access to key macroeconomic and fiscal information.

117. **Support for the internship program will continue into Phase V given the overwhelming success during the current phase.** In-line with the mid-term Phase IV evaluation, new host-institutions and universities will be brought on board where possible, with the desired goal of supporting at least 15 students annually to undertake an internship.

118. **A number of likely areas of focus can already be identified.** In coordination with the ECCB, focus should remain on strengthening the capacity of the ECCU macroeconomic policy units. There will be continued emphasis on improving the macroeconomic and fiscal frameworks underpinning the annual Budget. CARTAC sees a growing demand for assistance from commodity exporting countries such as Trinidad and Tobago, Guyana, and Suriname going into Phase V as commodity revenues slow and reforms become critical. Barbados will likely seek further assistance with the recent formation of a Macro Policy Unit in their Finance Ministry. There is scope to expand the program to other CARTAC members as needs become more apparent throughout Phase V.

### *Regional Issues*

119. **During Phase IV the Macroeconomic program has supported two regional workshops annually as well as a sub-regional workshop for the ECCU known as the “boot-camp.”** Given the small number of macroeconomic policy officials throughout the region, there

is not significant scope to expand the number of regional workshops delivered. The use of regional attachments as a mode of TA delivery could therefore be increased in Phase V

### *Coordination*

120. **Development partner coordination is not a significant issue for the Macroeconomic program.** There is some overlap of assistance in countries that have a dedicated long-term resident advisor (such as Grenada and St. Kitts and Nevis during the IMF supported adjustment programs) as well as countries receiving TA directly from IMF HQ. This overlap has not been a significant issue, and where possible coordination between resident advisers and IMF HQ has ensured that the TA from CARTAC has always been complementary.

### *Resources*

121. **The expansion of the program during Phase IV to encompass non-ECCU countries has meant greater demand of time for just the single long-term resident adviser.** A greater use of the STX modality is anticipated in Phase V to deal with this increased demand.

### *Risk Assessment*

122. **The small number of officials devoted to policy analysis within the region's policymaking institutions will continue to hamper the effectiveness and sustainability of the assistance.** Therefore, in addition to making the case for greater staffing numbers, training has been customized to individual country needs, including the use of simple, practical analytical tools. Training manuals are emphasized to mitigate the impact of staff turnover. Additionally, the weak use of IT systems hampers effective delivery of TA. Many TA missions spend significant amounts of time collecting and collating data before analysis and policy advice can begin. To overcome this issue more time will need to be focused toward creating simple and easy to update databases as well as further training in software such as Excel.

## **D. Cross-Cutting Issues**

123. **The RTAC model offers opportunities to address issues that cut across sectors.** In Phase IV, CARTAC took advantage of this through *inter alia* cooperation between the PFM and the macroeconomic programs to ensure that the medium-term macroeconomic and fiscal frameworks produced by the regions MFPU are at the centerpiece of the annual budget process, and coordination between the external statistics and financial sector programs. By working in a crosscutting manner, member countries can be made more aware of their own intra-ministry/central bank/NSO linkages that can be applied in their own working environments. In Phase V, CARTAC will continue to utilize this approach as and where possible, with possible additional linkages between the customs and statistics programs with respect to foreign trade statistics to support accurate balance of payments measurement, as well as the tax administration and macro program on revenue forecasting through effective finance ministry tax policy capacity and tax policy units (where feasible).

124. **The mid-term evaluation also highlighted the importance of addressing thematic or horizontal issues in CARTAC’s work, for example environmental and gender issues.** In Phase V, CARTAC’s approach will be twofold:

- I. **Incorporating gender and environment into existing programs:** Gender budgeting has already been incorporated in the PFM agenda in Phase IV, and other opportunities will be sought in Phase V. Environmental issues have not featured to date, however depending on demand from CARTAC members, TA and/or training on energy pricing or subsidy reform (areas where the IMF has comparative advantage) could be programmed.
- II. **Leveraging CARTAC’s position as an IMF office:** CARTAC would be able to disseminate new research on gender, environment (and other relevant areas), through the website, social media and where possible, through seminars targeting policy makers. Over the past years, the IMF has conducted substantive research on gender issues as they pertain to macroeconomic performance and growth and CARTAC is an appropriate vehicle to bring these to the attention of policy makers and to the wider audience.

#### **E. Regional Capacity Building—Internships and Attachments**

125. **Internships and attachments will continue to be important tools in building capacity at the regional level** through the provision of opportunities for hands-on learning. Not only do individuals learn, but networks between practitioners are established. In its earlier Phases, CARTAC had a productive partnership with the University of the West Indies (UWI) economics program. In Phase V, CARTAC will seek to expand the range of internship opportunities into other domains, e.g. in statistics and public financial management areas, as well as other academic areas beyond economics such as accounting and law, and increase the number and variety of internships and attachments from approximately 9 and 12 respectively annually to a maximum of 15 to 20 annually. Beyond internships, the CARTAC attachment program has also been very effective in facilitating visits for officials to learn of reform and other achievements for possible adoption and adaptation in their home environments. Opportunities for an enhanced attachment program both within and possibly outside the Caribbean will be pursued to further facilitate peer-to-peer learning as well as to strengthen the capacity of key officials and policy makers that will provide a pipeline of expertise to fill key national and regional roles as well as CARTAC’s own TA delivery capabilities.

126. **In 2013 the IMF launched a series of massive open online courses (MOOCs) in key macroeconomic areas.** These courses serve to expand the reach of the IMF’s training program to more member country officials and to offer the wider public audience access to its courses. CARTAC will continue to promote participation in these online courses, by disseminating information through its website and on Facebook, to ensure that CARTAC members are fully aware of available and upcoming opportunities.

## F. Coordination

127. **CARTAC's impact as a major contributor in core areas of financial and economic expertise depends on close coordination and collaboration with other development partners** (see Annex IV). This is achieved through various mechanisms between institutions, both in the region and between respective headquarters; at a program-to-program level; and at the topic/sector level. The biannual Steering Committee meetings provide a forum to discuss issues of a strategic nature, to make formal presentations of recent results, and discuss and endorse plans and budgets for the coming period. With usually universal participation, development partners have a clear picture of CARTAC priorities, activities and results from the presentations made, supporting documentation provided, and the ensuing discussions. Each SC meeting includes a session devoted to presentations by other TA providers, development partners, and contributors of programs and initiatives related to CARTAC's mandate. Steering Committee meetings also represent a useful platform to implement the aid effectiveness principles towards harmonized interventions.

128. **An important regional platform for regular information sharing with development partners is the UN-hosted Eastern Caribbean Development Partners Group (ECDPG).** This group meets quarterly in Barbados with participation by a wide development partner group including all active UN agencies in the region, contributors to CARTAC operations, and other development partners operating in the region.

129. At a sector level, a PFM development partner group also meets quarterly in Barbados. It is usually hosted by a CARTAC development partner (Canada, UK, or the EU) with participation by the wider PFM community (and including tax and customs administration). This is a very active platform of information sharing of respective programs and developments. Development partner representatives often take advantage of information of upcoming CARTAC seminars and workshops for member countries to attend as observers at events held in Barbados. A number of CARTAC workshops have been organized and delivered jointly with other organizations including SEMCAR for PFM and revenue events, as well as the IADB for an annual conference with the Caribbean Association of Debt Managers (CARADEM). CARTAC advisors are also active in development partner and stakeholder reform groups in several member countries, such as a PFM-reform group in Jamaica and also in Grenada.

130. CARTAC's work is also closely coordinated with other CD delivered by IMF HQ and, where relevant, regional advisors financed from other sources. One notable area is in debt management, where a Barbados-based regional advisor operates under financing from a specific topical trust fund (TTF). Expanding HQ-managed TA under other TTFs will be closely coordinated with future CARTAC work, as has been the case in the past under the Tax Policy and Administration (TPA) TTF for low income counties that supported extensive tax administration TA in Haiti, and in the future with the placement of a AML/CFT advisor under another TTF covering Central American and the Caribbean and the possibility of natural resource related TA under the Managing Natural Resource Wealth (MNRW) TTF.

131. **CARTAC will similarly continue to work closely with other TA initiatives in related areas to ensure complementarity and additionality.** These include the joint World Bank/IMF executed and Canadian-financed SEMCAR project; a regional PFM reform project of the United Nation's Economic Commission for Latin America and the Caribbean (ECLAC); the Canadian-financed and IMF-delivered Financial Management in the Caribbean (FMC) project that includes PFM and revenue administration components closely related to the CARTAC program; regional PFM reform initiatives supported by the Inter-American Development Bank (IDB); and a recently launched seven-year Statistics Canada-led Project for the Regional Advancement of Statistics in the Caribbean (PRASC). New opportunities will also be pursued, particularly in cross-cutting issues like gender with organizations such as UN Women.

#### IV. COMMUNICATIONS AND VISIBILITY

132. **CARTAC has a strong presence in the Caribbean region, as well as a distinctive identity.** It is widely known and its work appreciated in its 20 member countries and territories. Over Phase IV, CARTAC has been intensifying its outreach efforts, enhancing the Center's public profile and development partner visibility. As part of the 2015 RTAC Handbook, ICD has developed recommended outreach practices for RTACs to foster communication with development partners, member countries, other TA providers and other stakeholders.

133. More specifically, under Phase V, the Center's outreach will aim to expand beyond development partners and member countries to include civil society. Existing tools which include annual reports, newsletters, website, press releases, conferences, as well as development partner debriefings, will be supplemented by other vehicles such as social media. Development partners will be systematically recognized in the Center's outreach, with acknowledgement in publications and continued efforts to seek their involvement in the Center's activities.

134. **The main objective of CARTAC's Communication and Visibility Plan (Annex V) is to increase awareness among stakeholders of the mandate, activities and impact of CARTAC work.** The Plan takes account of the diversity of stakeholders, and their information needs, and leverages CARTAC and IMF resources in support of this aim. The Plan therefore identifies the stakeholders, their primary information needs, and the means and timing for delivery. The Plan will be monitored and reported on in the CARTAC Annual Report. The Communication and Visibility Plan therefore creates a platform to improve the coordination and effectiveness of CD, highlighting the progress made by the authorities and the support from development partners and the IMF. To this end, the CC and/or resident advisors will: (i) participate, whenever possible, in regional workshops/seminars organized by other institutions related to capacity development; (ii) keep country teams at the IMF HQ informed of progress under the work plan; and (iii) formalize a process for transmitting information and briefing development partners on the Center's latest developments and issues.

135. **CARTAC will hold face-to-face meetings to expand its outreach activities.** Specifically, a general development partner briefing will be organized at least once a year. The Center's resident advisors and short-term experts will continue to hold general briefings at the end of TA missions with development partners in the field to explore synergies and improve

coordination. The Center will inform country teams and resident representatives, including during the CC advisors' visits to HQ, of planned TA missions and courses organized by the Center, in order to increase coordination.

136. **CARTAC has also developed a password protected part of its website under which the Center's TA reports are shared with SC members who signed confidentiality agreements in line with the IMF's TA dissemination policy.**

## V. CARTAC'S RESULTS FRAMEWORK

### A. Progress to Date

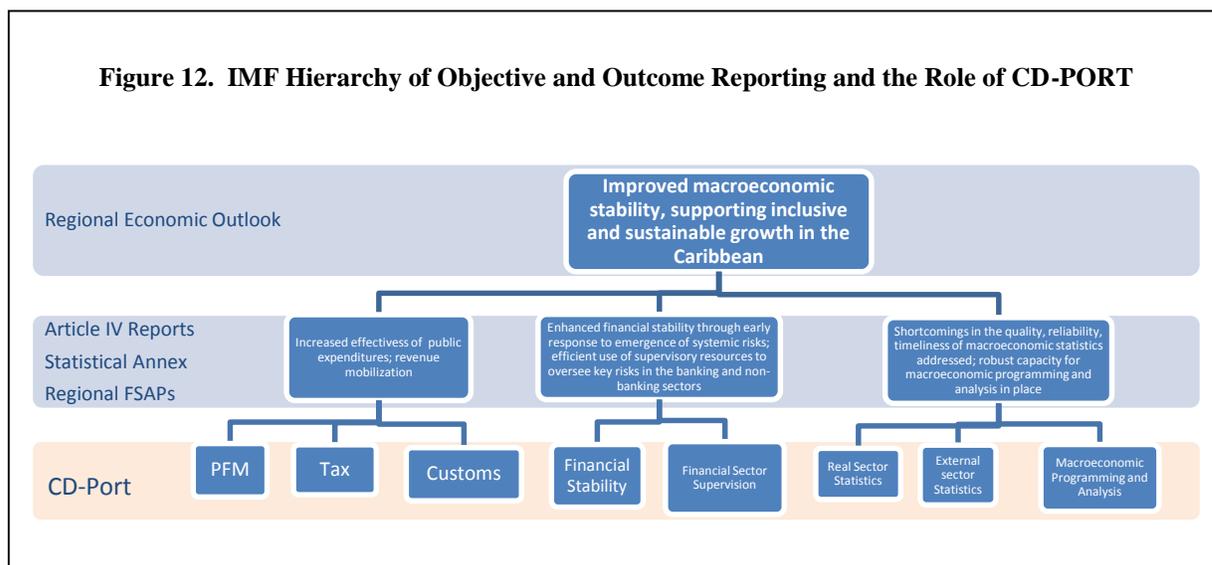
137. **In Phase IV, CARTAC ramped up its focus on RBM.** This was done with the development of sector log frames, an updated work plan format which captures outcomes, activities, and resources by sector and country, as well as an updated Annual Report format that presents a wider range of information, metrics, and results. The appointment of an RBM advisor in the latter part of Phase IV enhanced CARTAC's focus on underlying data capture processes, and alignment with RBM developments at IMF HQ.

138. **CARTAC work on RBM is overseen by IMF HQ, through a structured governance process.** The entire RBM effort is overseen at IMF HQ by an RBM Steering Committee, comprising senior (deputy director) representatives from across the IMF's departments. An RBM Working Group met throughout 2014 and 2015 on design of systems and processes to achieve full implementation of RBM across all of the IMF's CD effort, regardless of financing source. To ensure consistency of application of the new RBM framework, a Governance Committee has been established.

139. **The catalog of indicators and CD-PORT represent a substantive step forward in reporting on CD progress.** Throughout 2015, IMF TA and other departments (ICD, Legal Department and some area department representatives) worked to develop and refine the catalog of standardized objectives, outcomes, and indicators. By the second half of 2015 a working version was available for use by departments in designing new programs, and new phases of existing programs. Also by end 2015, the new IT system—CD PORT was being rolled out (full completion is targeted for mid-2016). The CARTAC roll-out is scheduled to start in early 2016, it is anticipated that CD-PORT will be fully operational at the start of Phase V. Importantly CD-PORT is organized around log frames at country/topic level to capture data at a high level of disaggregation. Progress towards achievement of outcomes will be rated on a four-part scale, with outcomes weighted as appropriate. This allows 'rolling up' of ratings by country (across topic) or by topic (e.g. regional performance in implementation of Basel II, or in relation to a specific PEFA indicator).

140. **A range of new diagnostic tools developed by IMF HQ in concert with development partners and the World Bank is available to support RBM.** In tax administration new tools are now available, such as the Tax Administration Diagnostic Assessment Tool (TADAT)—the revenue administration's PEFA equivalent; the Revenue Administration Fiscal Information Tool

(RA-FIT); and the Revenue Administration Gap Analysis Program (RA-GAP). Other tools such as the Medium-Term Debt Management Strategy (MTDS), which can help analyze public infrastructure gaps; the Public Procurement Fiscal Risk Assessment Model (P-FRAM); and the Fiscal Transparency Assessment (FTA) support countries in problem diagnosis and design of responses.



141. **There is therefore a strong foundation to continue improvements in CARTAC’s RBM focus in Phase V, despite some challenges.** The challenges in RBM implementation include the usual time required for bedding-in of new IT systems; the initial investment in setting up the data in CD-PORT (given the number of individual log frames and indicators to be entered—roughly 1,000 for CARTAC); establishment of baselines for many indicators which to date have not been systematically tracked and reported; and finally the formalization of procedures to ensure that responsibilities are clear, and that reporting does not impose an unduly arduous administrative burden on CARTAC staff. It is therefore important to ensure that the rich data that CD-PORT can generate is used both effectively and strategically in CARTAC’s reporting arrangements.

## B. CARTAC’s Results Framework

142. **CARTAC stakeholders require information at multiple levels.** This ranges from country authorities on CD performance in particular topics and at country level, to the SC and development partners who require both CD performance and other management information. IMF management also requires information to ensure that resources are allocated according to management priorities. Creating a unified RBM framework is complicated by the range of sectors across which CARTAC works, as well as the various delivery modalities.

143. **The CARTAC results framework therefore has three core elements:**

- **Strategic log frame** (as in Phase IV): the strategic log frame is the high level tool for planning and monitoring CARTAC work over the Phase. In addition to articulating the key results expected from each sector program, the strategic log frame contains indicators related to the Center's operational performance;
- **Program log frames** (as in Phase IV): based on the IMF's catalog of outcomes and indicators, and fine-tuned with baselines and targets specific to the region;
- **Monitoring matrix**: which brings together aggregate information on TA performance, work plan and TA delivery indicators. Importantly, the monitoring matrix identifies the appropriate sources of information, as well as the periodicity of information gathering. The monitoring matrix is an important tool for the CC to monitor key information on an ongoing basis.

144. **Together these instruments aim to give a composite picture of CARTAC's CD delivery performance, and will focus attention on those indicators that are most meaningful to stakeholders across programs.** The indicative strategic log frame and monitoring matrix are presented in Annexes VI and VII respectively, while the program-specific log frames will be finalized by mid-2016 as part of the CD-PORT roll-out.

### C. Risk Monitoring

145. **Risk monitoring will continue at both program and strategic levels.** Risks and risk mitigation measures have been identified at program and strategic level, and will be reported on an ongoing basis. Work is ongoing at IMF HQ in defining risk categories and an appropriate rating mechanism, which will be incorporated into CARTAC's work on completion.

## VI. CARTAC RESOURCE NEEDS

### A. Financing/Resource Needs for Phase V

146. **CARTAC's budget for the next five years and four months,<sup>44</sup> including the IMF contribution, is estimated at about US\$69.4 million (Table 3).** Resource needs are determined by the results achieved under Phase IV and new priorities expressed by member countries. Phase V program has been carefully costed, with the budget developed in close alignment with work plans across sectors and countries. Increased resource needs compared to Phase IV reflect the optimal steady state of CD delivery reached in FY16, expected to be sustained throughout the new phase, and the addition of four months to the cycle.

147. **Besides its financial contribution, the IMF provides to the governing framework to ensure focus and targeting, and quality and consistency in the delivery of assistance.** The combined responsibilities of the Committee on Capacity Building, WHD, and the TA

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<sup>44</sup> The extra four months to the originally five-year Phase V will allow CARTAC's cycle to align to the IMF fiscal year.

departments constitute an institutional support framework for CD delivery in the field. All CD, whether internally or externally financed, whether delivered by HQ or by the RTACs, are supported equally by this framework.

**148. CARTAC's host country, Barbados, contributed to the Center during all of the past four funding cycles, and has committed, through the signature of a memorandum of understanding to continue in-kind financing into Phase V.**

**149. The budget will be shared by the IMF, the host country, member countries, and development partners.** With expected in-kind contributions of US\$ 5.4 million covering office facilities provided by the government of Barbados and certain salaries and overheads covered by the IMF, the targeted financing sought is US \$ 64.0 million. Having scaled-up over Phase IV, member contributions will remain at US \$100,000 per year, due in six installments at the start of each calendar year beginning in January 2017. With six annual contributions from 19 members (Barbados support is in-kind) totaling US\$ 11.4 million, the targeted funds sought from bilateral and multilateral partners is US\$ 52.6 million, up from \$US 47 million in actual contributions from five Phase IV partners. The proposed budget envisages:

- **A core group of 10 resident advisors will cover five topics, distributed as follows:** PFM (two advisors), revenue administration (two tax advisors and one customs advisor), macroeconomic programming and analysis; statistics (two advisors covering real and external statistics respectively); and financial sector (two advisors covering financial sector supervision and financial stability).
- **Short-term expert visits will complement the work of the resident advisors.** The IMF will continue to seek and foster regional expertise where possible.
- **Regional workshops will continue to provide hands-on training and a platform for sharing knowledge and exchanging experiences.** Training will focus on those areas identified in need of improvements in TA reports. The IMF's Institute for Capacity Development (ICD) will continue to deliver one regional training event per year.
- **Internships and attachments.**
- **Applied research (specifically related to the TA programs under implementation and the IMF's mandate).**
- **Backstopping from HQ:** This will ensure quality and consistency of CARTAC's advice with IMF and international best practice, as well as project management overheads.
- **A mid-term evaluation, which will have a specific focus on post-Phase V options.**

**Table 4. CARTAC Budget Phase V: Proposed Budget, Five Year  
(in U.S. Dollars)**

<b>Capacity Development (by activity)</b>		<b>54,424,900</b>
Public Financial Management	FAD	11,892,224
Customs Administration	FAD	5,009,172
Tax Administration	FAD	10,003,388
Financial Sector Supervision	MCM	5,648,107
Financial Stability	MCM	5,648,107
Macroeconomic Statistics	STA	5,792,508
External sector statistics	STA	5,039,343
Macroeconomic policy and analysis	WHD	3,914,652
Legal	LEG	371,057
General Macroeconomic Training	ICD	1,106,341
<b>Administration</b>		<b>7,585,299</b>
Staff and Travel		4,829,826
Lease and Office Utilities, Communication and Miscellaneous		2,755,473
<b>Governance</b>		<b>1,608,550</b>
Project Management		1,243,250
Steering Committee		365,300
<b>Evaluation</b>	IDCGP	<b>300,000</b>
<b>Contingency</b>		<b>1,500,000</b>
<b>Trust Fund Management</b>		<b>4,094,940</b>
<b>Total</b>		<b>69,513,689</b>

*Source: Institute for Capacity Development, Global Partnerships Division.*

150. **Approximately 80.1 percent of Phase V resources will be devoted to direct delivery of TA and training.** Of US\$ 55.6 million of the targeted US\$ 69.4 million resource envelope, approximately 48.8 percent will be focused on fiscal issues, covering PFM and revenue administration (tax and customs); 21.0 percent devoted to the financial sector; 20.5 percent to enhancing economic statistics; and 7.2 percent of resources will be managed by the Western Hemisphere Department through the program of the macroeconomic advisor. Past experience showed that the Center's agility to meet upcoming demand by its membership is highly valued. Limited resources (about 2.3%) will therefore be maintained in a contingency reserve to allow the Center to respond flexibly to unforeseen member needs. Allocation of this reserve will be driven by country needs assessments and absorptive capacity, in consultation with the TA departments about delivery and backstopping capabilities.

151. **Early partner pledges and commitments to substantially meet the Phase V financing needs are sought to provide assurance and stability for the Center's operations.** Financing will need to be secured in a timely manner to ensure that commitments (such as salaries and long term programs) are sufficiently funded for a seamless transition from Phase IV to V. As much of the US\$ 52.6 million financing target is sought in pledges and commitments as far in advance of the January 1, 2017 phase transition date as possible. However, the adverse experience in the

transition from Phase III to IV, when initial pledges fell short, will be avoided through appropriate contingency planning and actions, which, depending on the magnitude of any financing or timing gap could be through: (1) a scaling-up of fund-raising efforts targeting nontraditional partners, and/or consideration for additional later tranches by traditional partners; (2) requests for additional country contributions beyond US\$ 100,000 annually, particularly from the larger economies; (3) a reduction of the phase duration period (say by a year to April 2021 instead of April 2022); (4) an orderly scaling back of programs (i.e. when resident expert contracts are due for replacement) to match resources without compromising the program objectives; or (5) a combination of these approaches.

### *Cost Savings and Value for Money*

152. **As one of a network of nine RTACs, CARTAC operates in accordance with standardized IMF procurement, operational, and financial rules and procedures.**<sup>45</sup> These set out requirements for competitive contracting and obtaining best value while ensuring clearly specific standards are maintained and subject to scrutiny and review. Travel and accommodation entitlements comply with IMF standard rules. CARTAC remuneration rates for resident and short-term experts are competitively based on international comparators to secure the best qualified and experienced candidates. Considerable effort is devoted to secure appropriately experienced and skilled experts from the region, including developing and nurturing a pipeline of candidates for the work of CARTAC and the wider regional and international community

153. **The institutional capacities of the IMF help secure high quality support services at competitive rates.** This includes corporately negotiated accommodation rates and travel agency services. Working within this framework, CARTAC staff continuously strives to ensure best value for money through policies and practices that are exercised within local delegations and responsibilities. These include:

- selecting training event venues on the basis of: (1) competitive accommodation and venue costs (collaborating with partners like Central Banks that may cover certain costs), (2) event overheads such as CARTAC travel and administrative costs, and (3) cost effectiveness and efficiency for participant travel – these factors are regularly reviewed and analyzed for future planning and budgeting;
- for short-term experts who originate from outside the region, travel costs are optimized whenever possible through back-to-back assignments;
- maximizing advance planning to secure expert availability and lowest cost travel and accommodation rates, including risk-based decision making on savings from early planning versus occasional imposition of fees for unforeseen changes; and

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<sup>45</sup> These were recently documented in an RTAC Handbook that provided a consolidated articulation of a wide range of IMF policies and standards for RTAC operations.

- linking up with activities of other TA providers and development partners to generate synergies and savings, e.g. co-scheduling of CARTAC and other program Steering Committee meetings to reduce travel costs and maximize stakeholder participation

154. **Other potential cost saving measures will be explored.** This includes possibly increased use of technology, such as greater use of video conferencing for meetings including post missions follow-up visits, and where applicable for some seminars (where presenters are making presentations 1 hour or less (video-conference or Skype).

## VII. CARTAC GOVERNANCE, OPERATIONS, FINANCIAL MANAGEMENT, & EVALUATION

### A. Governance

155. **CARTAC is guided by a SC comprising representatives from member countries, development partners, and the IMF.** The SC provides strategic guidance and helps set CARTAC's priorities, including through endorsing work plans, and is a vehicle for feedback on CD quality. CARTAC's SC meets twice annually (with the mid-year meeting having a special focus on one of CARTAC's sector programs, or a topical issue) and is chaired by a representative of the member countries. The SC can adopt operational guidelines to further specify issues such as periodicity of meetings, decision-making process, and inclusion of additional members and/or observers.

156. The Center comprises a CC, resident advisors, and support staff. The CC is responsible for day-to-day management of CARTAC and its operations, with strategic guidance from the SC, and oversight from the IMF. CARTAC staff is composed of specialist resident advisors in each of the Center's TA areas and office support personnel. A pool of short-term experts is drawn upon for specific assignments, with regional expertise sought where possible.

157. Strong quality control is exercised by the IMF. It selects and hires CARTAC resident advisors through an international competitive process, providing them with the technical support to ensure quality and consistency in their advice and activities. The IMF HQ TA departments review and authorize the deliverables produced by resident advisors. Short-term experts for peripatetic and/or specific assignments are recruited through the IMF HQ from its roster of qualified experts and are backstopped by the resident advisors and IMF HQ.

### B. Operations

#### Annual Work Plan

158. **CARTAC's annual work plan is developed in consultation with member countries and within the context of the IMF's TA prioritization process.** This takes into account each beneficiary country's macroeconomic reform strategy. The IMF's country teams, in close coordination with the CARTAC resident advisors, maintains continuous dialogue with member countries to provide a basis for the identification of key capacity-building needs and TA priorities and the formulation of detailed country TA programs. This ensures that the activities of both are fully integrated with each other, as well as with country reform agendas. The development of the

annual work plan is also coordinated with the IMF's budget cycle and resource allocation processes to ensure timely and predictable delivery of TA.

159. **CARTAC's annual work plan consists of member countries' TA programs (which may form part of broader regional projects), in-country training, and regional workshops and seminars.** The CARTAC coordinator seeks strategic guidance from SC members on the work plan, including by asking them to send their requests for TA needs, prior to seeking their formal endorsement. At each SC meeting, the CARTAC coordinator delivers a report on the progress of the activities outlined in the work plan and lays out, in consultation with the chairman, some issues for SC discussion.

### **Center Coordinator**

160. **The CC is a staff member of the WHD. The CC is selected by the WHD in consultation with other TA departments and the IMF's ICD.** He/she reports to the WHD and endeavors to ensure that the work of the Center is consistent with the overall strategy of the WHD and the IMF. The CC maintains constant contact with the SC members in the Center's beneficiary countries and with the WHD and all relevant TA departments to identify broad strategic priorities and emerging issues and needs for the Center.

### **Staffing**

161. **CARTAC staff comprises a number of resident advisors in each of the relevant TA areas, office support personnel, and a pool of short-term experts for specific assignments.** TA departments, in consultation with the CC, are responsible for selecting and hiring CARTAC resident advisors through external international advertisements, and providing them with the substantive support and backstopping required to ensure quality and consistency in their advice and activities. Short-term experts for peripatetic assignments are recruited through IMF HQ, based on a roster of qualified experts, and are backstopped (see also section on quality control) by the resident advisors.

### **Accountability**

162. **CARTAC is designed and operated to ensure that the IMF CD is delivered in a manner that is responsive and accountable to the member countries.** CARTAC must also meet and maintain the high-quality standards that are expected of the IMF CD. The IMF's recently revised dissemination policy<sup>46</sup> on sharing TA reports will further improve accountability and facilitate coordination. Under the new policy, TA reports may be shared with the SC members with consent of the TA recipient on a no-objection basis, and on the understanding that such information shall be kept confidential. Sharing of TA reports with the non-SC development partners will be determined on a case-by-case basis based on whether the development partner in

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<sup>46</sup> See <http://www.imf.org/external/np/pp/eng/2013/061013.pdf>

question has a legitimate interest in the TA report in question and has signed a Confidentiality Agreement, for example through to its engagement in related activities in the member country. Member countries are also encouraged to publish finalized TA reports in the public domain. To enhance coordination, the SC members will also receive information which flags the need for any complementary TA.

163. **The CARTAC’s SC provides an additional forum for accountability.** Member countries can provide immediate feedback and recommendations on TA delivery and value. All SC members receive the information that allows them to guide CARTAC’s work. Furthermore, the inputs of beneficiary countries are sought at various stages of the work planning and operations of CARTAC: during surveillance (“Article IV Consultations”) programs and diagnostic TA missions that inform the TA planning process by the WHD and TA departments in their preparation of TA strategies, and through the input and oversight of CARTAC’s SC.

### **Quality Control**

164. **Maintaining the quality of the advice and activities delivered by CARTAC is the responsibility of the IMF HQ and CARTAC staff.** TA departments screen and appoint CARTAC’s resident advisors in consultation with the CC from a pool of vetted experts. The IMF HQ supports CARTAC by backstopping its staff and operations. Combining the recommendations of previous surveillance and TA missions with the needs of the country, the TA departments discuss with the resident advisors the objectives and outcomes of each mission with a view to ensuring a proper sequencing of CD and improving its effectiveness in building capacity in member countries. Throughout the mission of short-term experts and the presence of the resident advisors, the TA departments provide supervision and support. In addition, short-term experts are backstopped by resident advisors. This is a dynamic and fluid process that can take a number of forms.

165. **TA departments review and authorize the TA reports produced by the resident advisors and short-term experts.** Further, the TA departments and WHD team work with country authorities to ensure follow-up on the recommendations of TA missions mainly through CARTAC. At all stages of TA, backstopping ensures the consistency and quality across countries.

166. **The CC provides an additional layer of quality control of the TA in management of the day-to-day operations of CARTAC.** The coordinator monitors the progress of beneficiary countries in implementing reforms that are supported by CARTAC.

### **C. Financial Management**

167. **Contributions from development partners and member countries will be made into a multi-donor CARTAC Subaccount under the IMF’s Framework Administered Account for Selected Fund Activities (the “SFA Instrument”).**<sup>47</sup> This Subaccount will be used to receive

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<sup>47</sup> See <http://www.imf.org/external/np/pp/eng/2009/030409.pdf>.

and disburse financial contributions for the Center's activities; all resources contributed to the Subaccount will be for the sole use of CARTAC.

168. The basis for the financial arrangements between development partners or member countries and the IMF will be a letter of understanding. The letter will establish the purposes of the contributions related to this program document subject to the terms and conditions of the Subaccount, as well as the SFA framework instrument. The IMF manages the trust fund in accordance with its financial regulations, and other applicable IMF practices and procedures.

169. The IMF will report on the CARTAC subaccount's expenditures and commitments through a secure external gateway. Annual reporting on the execution of CARTAC's annual work plan and budget will be provided at each SC meeting. Costs will be on an actual basis.<sup>48</sup> The operations and transactions conducted through the subaccount during the financial year of the IMF will be audited as part of the IMF's Framework Administered Account and the report of the External Audit Firm is posted on the IMF's external website as part of the IMF's Annual Report.

#### **D. Evaluation**

170. **Within three years of operation of CARTAC Phase V, an independent external evaluation of its work will be carried out by a team of independent experts.** The evaluation will assess CARTAC's effectiveness and impact, and the sustainability of its CD, bearing in mind the long-term nature of capacity-building. Importantly, the evaluation will consider the options for the future of CARTAC, and the costs of benefits of each option (e.g. continued operations, scaling-down, or devolution of some work streams to regional bodies). The evaluation will formulate recommendations which will inform discussions on CARTAC's future operations.

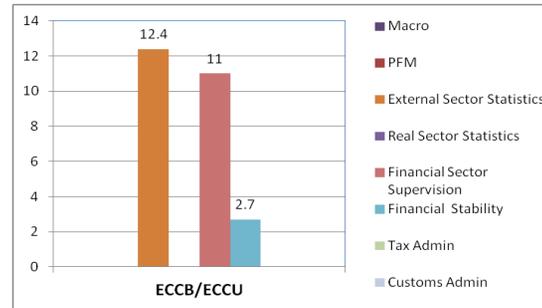
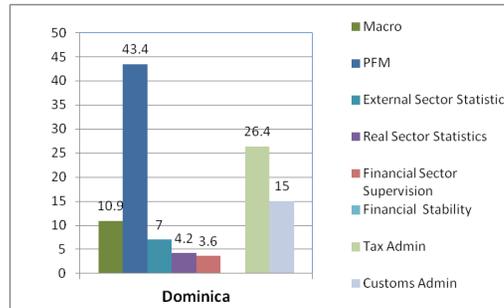
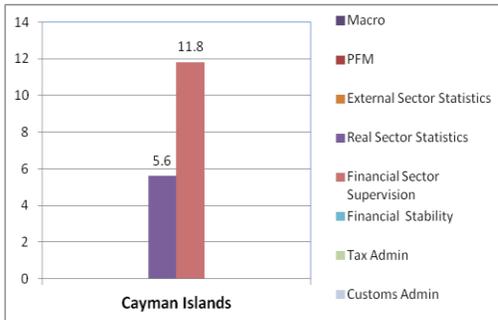
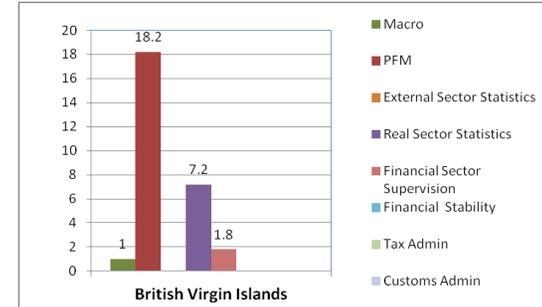
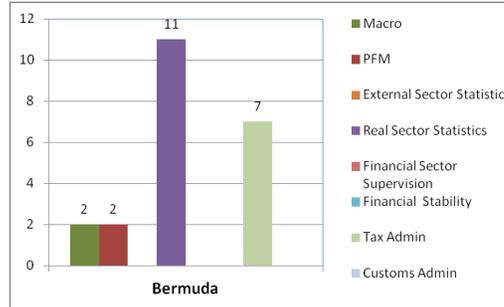
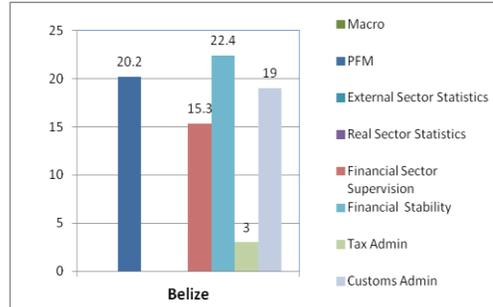
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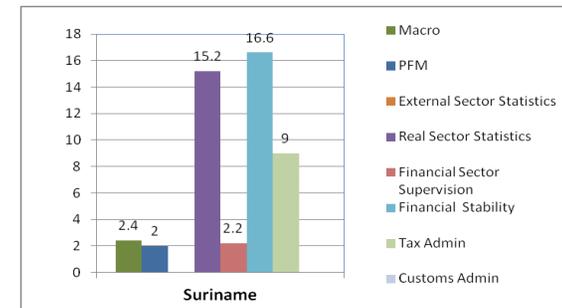
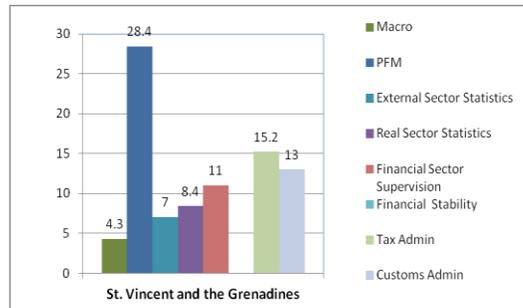
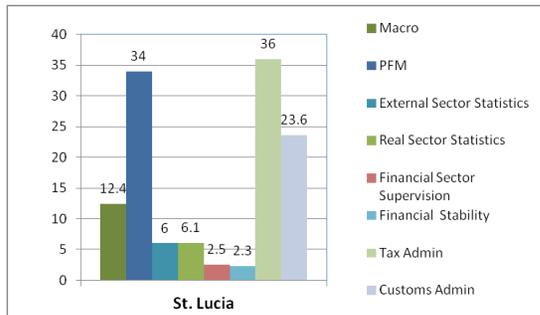
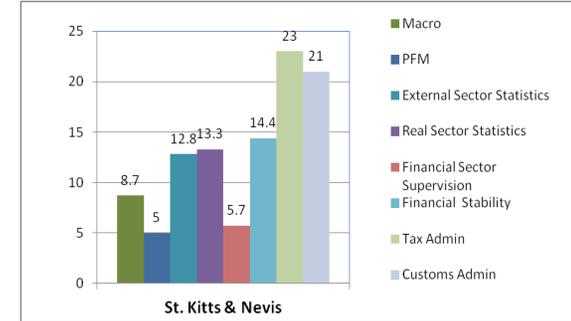
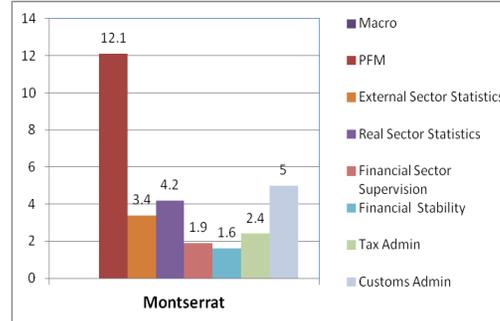
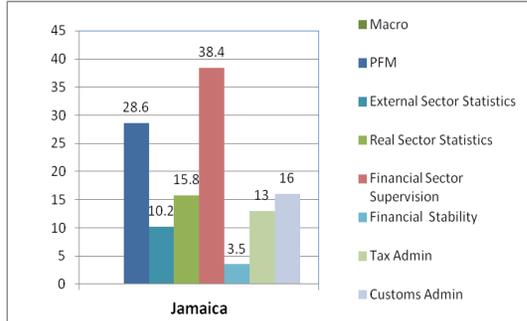
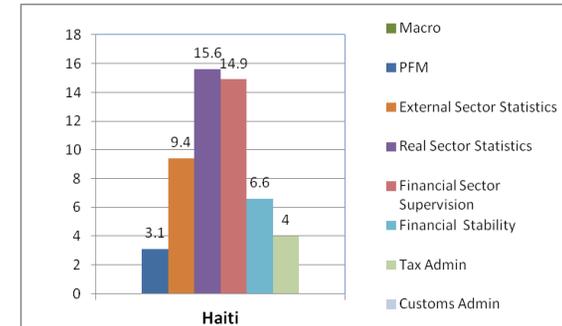
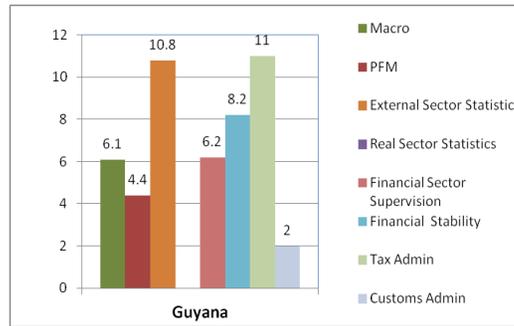
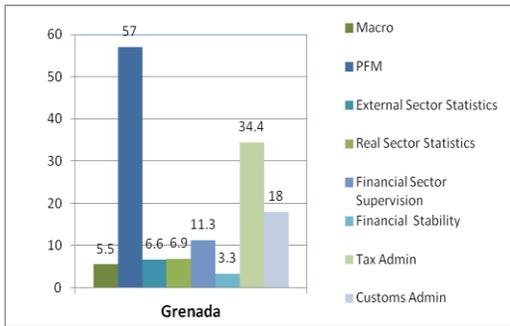
<sup>48</sup> Staff cost will be charged at the midpoint of the standard cost of the grade of staff members plus the relevant benefit factor, contractual and long-term experts will be charged at the actual salary plus the relevant benefit factor; all other costs, including short-term experts, travel and seminars will be charged the actual costs. See <http://www.imf.org/external/np/pp/eng/2008/040308a.pdf>.

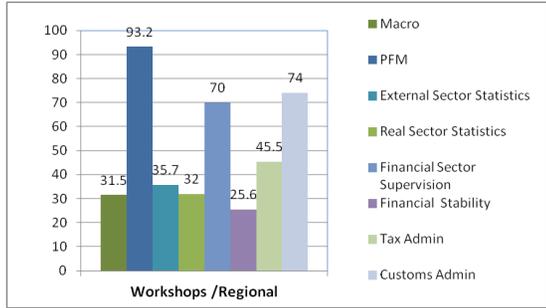
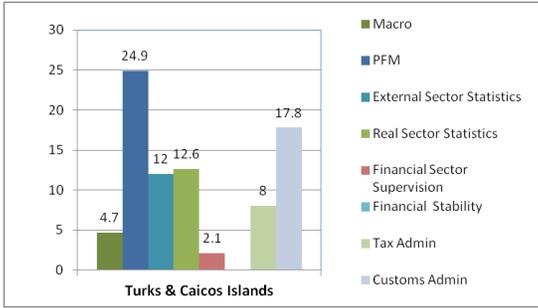
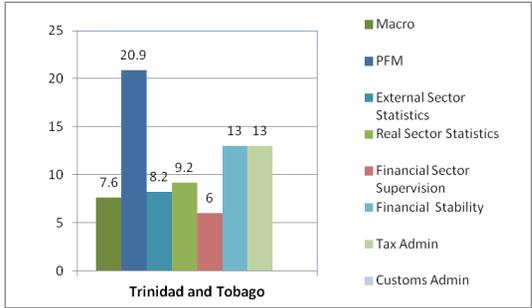
## ANNEXES

### Annex I. CD Delivery by Country and Topic (FY14-16)

(In Field Person Weeks)







## Annex II. CARTAC Phase IV—Key Results

Sector	Results Phase IV
<b>Macroeconomic Programming and Analysis</b>	<p>Economic institutions in CARTAC’s member countries have moved from undertaking transactional budgetary and revenue operations, to providing macroeconomic and fiscal advice to government. CARTAC’s work in this area has focused on strengthening the capacity of macroeconomic policy units in the region to undertake more policy oriented and analytical work. The macroeconomic work cuts across other sectors such as statistics (essential for macroeconomic analysis) and public financial management (to ensure that macro frameworks are at the core of budgetary processes).</p> <ul style="list-style-type: none"> <li>• 5 out of 8 ECCU countries (St. Lucia Grenada, St. Vincent and the Grenadines, Dominica, and St. Kitts and Nevis) are regularly submitting a medium-term macroeconomic and fiscal strategy to Cabinet.</li> <li>• Following a CARTAC-led workshop in May 2015 for the ECCU, all 8 countries produce a medium-term macro/fiscal strategy and they were submitted to governments through the ECCB Monetary Council Process.</li> <li>• Rapid response: (a) Disaster in Dominica through assisting policy officials to better estimate the macro and fiscal impacts of the disaster, (b) Trinidad: One week after the election CARTAC responded to authorities to assist with framing their first budget in the context of medium-term macro-fiscal stability, and c) following the May 2015 elections in Guyana CARTAC responded to a request to build Ministry of Finance capacity to produce a medium-term framework.</li> </ul>
<b>Public Financial Management</b>	<p>CARTACs work in PFM has evolved over Phase IV, from a focus on ‘getting the basics’ right (i.e. budget preparation and execution and tools and processes to strengthen fiscal discipline as well as improve countries’ ability to more effectively prioritize budget resources), to more complex issues (such as fiscal risk management, fiscal rules and gender based budgeting).</p> <ul style="list-style-type: none"> <li>• A major result has been that following an analysis of recent PEFA results CARTAC member countries have moved closer to ‘core’ PFM indicators in areas where CARTAC is active.</li> <li>• Number of countries that are generally complaint<sup>1</sup> with international public sector accounting standards has increased in Phase IV from 4 to 6.</li> <li>• Number of countries that have introduced three year rolling forward estimates and ‘hard’ budget constraints has moved from 7 to 11 during Phase IV</li> <li>• Linkage with IMF adjustment programs: Assisted Grenada to meet a structural benchmark in its IMF-adjustment program related to reform of its State Owned Enterprise sector (putting in place stronger government oversight through a performance-monitoring framework and implementing related reforms including a</li> </ul>

<sup>1</sup> CARTAC rating 4 (fully met), excluding whole of government consolidation.

Sector	Results Phase IV
	<p>centralized policy for employment conditions to address structural challenges of high labor costs and inflexible employment conditions; a new dividend policy to improve return on equity; a revamped tariff-setting regime for some commercial SOEs to resolve revenue weaknesses; and pension reform, to address unfunded pension liabilities. The Grenada model will be the template for the region going forward.<sup>2</sup></p>
<p><b>Revenue Administration (Tax)</b></p>	<p>In the context of the global financial crisis, and the sharp reduction in direct and indirect revenues from the decline in tourism, CARTAC TA greatly assisted the region’s tax administrations to cope with the crisis, and to prevent a serious fall-off in revenue (Annex I). The TA strengthened the foundation of the tax administration and built capacity to better manage and undertake core activities.</p> <ul style="list-style-type: none"> <li>• The Bahamas (VAT implemented in January 2015) and for the six month exceed the target—a total amount collected was approximately \$216 m against a target of \$150m.</li> <li>• In St. Lucia (VAT implemented in 2012) total tax revenue increased in 2013 by 16% (\$61m) and core taxes by 22% (\$70m). CARTAC continues to work with the St. Lucia Inland Revenue Department on widening the tax base.</li> </ul>
<p><b>Revenue Administration (Customs)</b></p>	<ul style="list-style-type: none"> <li>• Post Clearance Audit (PCA) has been strengthened in 8 CARTAC customs administrations, and the PCA functions in Dominica, Jamaica and St. Kitts and Nevis are mature and fully operational.</li> <li>• Risk management programs have been supported in St. Lucia, St. Kitts and Nevis, and Turks and Caicos Islands,</li> <li>• A model harmonized law for the CARICOM region has been drafted and has been enacted by Antigua and Barbuda, Dominica, Grenada and St. Kitts and Nevis and is being developed in Jamaica, St. Lucia and St. Vincent and the Grenadines. In order to optimize revenue, customs units need to be skilled in tariff classification, valuation and origin of goods. CARTAC TA has built the necessary skills across the region, demonstrated by fully competent units in: Antigua and Barbuda, Guyana, St. Kitts and Nevis, and St. Vincent and the Grenadines (tariff classification); and Grenada, Jamaica, St. Kitts and Nevis, and St. Lucia, (valuation). Organizational structures have been reviewed and strengthened in Belize and St. Lucia.</li> </ul>

<sup>2</sup> A consistent approach is underway in Anguilla, Barbados, British Virgin Islands, Dominica, and St. Vincent and the Grenadines.

Sector	Results Phase IV
<b>Financial Stability</b>	<p>The collapse of CL Financial<sup>3</sup> had reverberations in 22 countries in the region, and is estimated to have cost over US \$3 billion. In its wake, policy makers are more acutely aware of the dangers that systemic and contagion risks pose for financial and macroeconomic stability in the region. CARTAC TA therefore:</p> <ul style="list-style-type: none"> <li>• Put in place, for the first time, a suite of financial stability and health indicators for the insurance sector in Barbados, Belize and Suriname.</li> <li>• Developed macro prudential and systemic risk indicators for Guyana, Belize and Suriname;</li> <li>• Conducted improved stress tests for domestic and foreign-owned banks in 7 countries (Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, Montserrat, St. Lucia, and St. Vincent and the Grenadines).</li> <li>• Extended stress testing to the insurance sector in Barbados, Belize and Suriname, to the securities market in Trinidad and Tobago, and to the credit union sector in Barbados.</li> <li>• Conducted reviews of the Barbados National Financial Stability Plan and the Draft Regional Crisis Management Plan to determine the adequacy of (i) the governance framework and the structures for monitoring financial sector risks, (ii) the framework for intervention and resolution of financial institutions and cross-border crises and (iii) the effectiveness of the procedures for sharing information at the regional level among host and home regulators.</li> </ul>
<b>Financial Sector Supervision</b>	<p>Following the global and regional financial crises, regulators are rethinking their approaches to supervision and regulation, in particular with regard to the non-banking sector (credit unions and insurance companies), which form a significant part of the financial sector architecture of the region. With CARTAC TA:</p> <ul style="list-style-type: none"> <li>• 17 of the 20 CARTAC members are implementing Basel II<sup>4</sup> standards;</li> <li>• Risk based supervision, Consolidated Supervision and Supervisory Intervention guidelines have been developed for the region.</li> <li>• 15 countries implementing risk-based supervision across the banks and non-banks sectors.</li> <li>• Supervisory and regular practice in the Single Regulatory Units (SRUs) in the ECCU strengthened through onsite reviews of insurance companies, credit unions and offshore banks.</li> <li>• Credit Union regional independent regulatory group formed.</li> <li>• Over 950 participants successfully completed training courses held for regulators across the banking, securities, insurance, pensions and credit union sectors during Phase IV.</li> </ul>

<sup>3</sup> A large regional hybrid conglomerate headquartered in Trinidad and Tobago.

<sup>4</sup> Basel II is a rigorous regulatory framework, requiring that banks have a sound. Internal ratings classification system, subject to stringent supervisory standards and internal controls from each country's Central Bank. The objective of the framework and controls is to foresee and mitigate any exposure from probability of default, loss given default, and exposure at default.

Sector	Results Phase IV
<b>Real and External Sector Statistics</b>	<p>CARTAC’s statistical TA has been important in supporting member countries to produce accurate and timely statistical data for use by policy makers, in particular annual and quarterly GDP, and other national accounts aggregates that are required for evaluating economic performance, prices statistics for inflation measurement, and balance of payments (BOP) and international investment position (IIP) that are important for analyzing vulnerability to external shocks. By the end of Phase IV it is expected that:</p> <p><i>Real Sector Statistics</i></p> <ul style="list-style-type: none"> <li>• All 20 CARTAC members will be disseminating annual gross domestic product (GDP) by economic activity (GDP-P) estimates at both current and constant prices.</li> <li>• Annual GDP by expenditure (GDP-E) estimates at current prices will be disseminated by 17 member states and annual GDP-E at constant prices by 7 members.</li> <li>• 10 members will be compiling annual estimates of the other national accounts aggregates up to net lending/borrowing.</li> <li>• 5 members will be producing either quarterly GDP-P or GDP-E estimates.</li> <li>• 19 members will be disseminating the Consumer Price Index.</li> <li>• 3 members will be disseminating a Producer Price Index.</li> </ul> <p><i>External Sector Statistics</i></p> <ul style="list-style-type: none"> <li>• 9 out of 18 CARTAC members<sup>5</sup> producing balance of payments statistics (Barbados and the eight ECCU member economies) have upgraded their compilation system to BPM6.</li> <li>• 10 CARTAC members (Barbados, Bermuda and the eight ECCU member economies) have produced IIP statistics following BPM6 guidelines, 9 of them (Bermuda and the eight ECCU member economies) have compiled the IIP for first time.<sup>6</sup></li> </ul>

<sup>5</sup>Four members (Belize, Bermuda, Cayman Islands, and Jamaica) had compiled balance of payments statistics in the BPM6 format before the launch of CARTAC’s ESS Program. The other five members (Guyana, Haiti, Suriname, The Bahamas, and Trinidad and Tobago) compile balance of payments statistics according to previous editions of the IMF’s manual of balance of payments statistics.

<sup>6</sup>Four members (Belize, Bermuda, Haiti, and Jamaica) have compiled IIP statistics before the launch of CARTAC’s ESS Program –Jamaica’s IIP is compiled following BPM6 guidelines.

### Annex III. Mid-Term Evaluation—Implementation Action Plan

Recommendation	IMF Response	Action(s)	Timing	Responsible
<u>Recommendation 1</u> : Fund CARTAC Phase 5 at about \$60 million to \$65 million in total and commit to doing so early enough to avoid a severe downturn in the level of activities during the first year of Phase 5.	Agree.	The IMF will initiate fundraising for Phase V with the draft Program Document.	End Year 2015	ICDGP
<u>Recommendation 2</u> : Improve CARTAC's financial sustainability by diversifying its development partners, strengthening its cooperation with other IMF trust funds, starting a complementary RTACs Trust Fund, and increasing the suggested contributions from CARTAC member governments.	Partially agree.	The IMF is exploring cooperation with new development partners to CARTAC and the RTACs more broadly, as well as new modalities that will allow for smoothing out of lumpy financing across phases and RTACs.  Regarding member contributions, these will be maintained at the current level of \$100,000 p.a., which, if fully paid in, will account for the recommended 15 percent of CARTAC's budget.	Phase V	ICDGP
<u>Recommendation 3</u> : Strengthen results-based management in Phase 5 by piloting the new RBM systems being developed by the IMF, by investing in the measurement of baselines and increments in each functional area and by specifying measurable objectives and targets for each of its Programs within a program-based approach to TA and training.	Agree.	IMF continues to strengthen RBM, including through the development of a catalog of outcomes and indicators, as well as a new IT system (CD-PORT).  CARTAC will pilot the implementation of an IMF-wide RBM IT management system-CD-PORT.  The IMF will implement a Fund-wide RBM framework with a standardized catalog of objectives, outcomes and indicators.  CARTAC will use the new system in the formulation of programs under Phase V.	Mid-2016  End-year 2015  Phase V  Phase V	ICDGP, ICDSE, CARTAC

Recommendation	IMF Response	Action(s)	Timing	Responsible
<u>Recommendation 4</u> : Adopt a program-based approach to TA and training.	Agree.	Clearly articulated objectives and outcomes will be an integral part of the next cycle’s work plans, within the context of a strategic log frame for the Center and sector log frames, which provide a framework for multi-annual planning and reporting.	Mid-2016	CARTAC
<u>Recommendation 5</u> : Strengthen the role of the Steering Committee in providing oversight and strategic direction.	Partially agree.	<p>The Steering Committee already has a strategic role within the RTAC governance model. However, the IMF recognizes the need to support this strategic role through:</p> <ul style="list-style-type: none"> <li>• implementation of RBM which will change the focus from reporting on activities to results;</li> <li>• enhanced results reports to the Steering Committee (restructured Annual Report);</li> <li>• clearer documentation of issues to be discussed, and endorsement tables to record SC feedback;</li> <li>• changing the focus of the SC meetings to one annual, results focused meeting, with the second meeting dealing with progress of the work plan.</li> </ul> <p>The IMF will engage in extensive consultations with the SC during the preparation of the phase V Program Document on priorities and strategies</p>	Ongoing	CARTAC, ICDGP, ICDSE
<u>Recommendation 6</u> : In addition to sector programs, fund a program that is interdisciplinary to fund thematic, cross-disciplinary and cross-sectoral work.	Partially agree.	<p>The CARTAC Center Coordinator is well placed to identify opportunities for cross-sectoral/thematic work. CARTAC has also been leveraging the co-location of advisors to identify and address cross-cutting themes.</p> <p>Regarding the recommendation to focus on inclusiveness and sustainability-the eventual choice of topic will be determined by the needs of the region and the IMF’s mandate. Going forward, CARTAC will continue to seek opportunities to leverage its skill set.</p>	Phase V	CARTAC /WHD

Recommendation	IMF Response	Action(s)	Timing	Responsible
<u>Recommendation 7</u> : Devolve more responsibility and authority to the Coordinator.	Disagree.	<p>The Coordinator approves missions which are reflected in the resource allocation plan (RAP) and are part of the work plan. For non-RAP /work plan missions, the Coordinator can only approve after consultation with HQ (to ensure compliance with IMF priorities).</p> <p>On administrative issues, such as contract administration, security, human resources and IT support, these are centralized IMF functions and cannot be delegated.</p>		
<u>Recommendation 8</u> : Improve CARTAC's corporate memory and use of information technologies.	Agree.	<p>The IMF will implement the recommendations of a senior inter-departmental working group on knowledge management.</p> <ul style="list-style-type: none"> <li>• CARTAC is already working to strengthen and streamline internal information management processes, to ensure that the full complement of documentation related to individual programs are available, and ensuring where possible overlap between experts.</li> <li>• CARTAC will focus on enhancing the range and timeliness of information available through its website.</li> <li>• CARTAC will work in tandem with the online training division of the Institute for Capacity Development to ensure that information on new IMF online courses is disseminated, as well as to explore options for complementarities and more targeted training.</li> </ul>	<p>Phase V</p> <p>Ongoing</p>	<p>ICDGP</p> <p>CARTAC</p>

Recommendation	IMF Response	Action(s)	Timing	Responsible
<u>Recommendation 9</u> : Improve the synergies between CARTAC and the wider network of RTACs.	Partially agree.	The IMF is already implementing a series of measures to improve synergies between the RTACs including: <ul style="list-style-type: none"> <li>Finalization of an RTAC Handbook to standardize policies and procedures;</li> <li>Organizing periodic retreats for Center Coordinators and Advisors;</li> <li>Development of a unified framework for evaluation of RTAC, and IMF, capacity development; and</li> <li>Introduction of RBM.</li> </ul>	Ongoing	ICDGP, ICDSE
<u>Recommendation 10</u> : Pay more attention to cross-cutting, interdisciplinary and thematic issues.	Partially agree.	CARTAC will continue to incorporate inclusiveness and sustainability issues into its TA programs, where possible, while recognizing that these areas are outside the IMF's core competencies.	Phase V	CARTAC, TA Departments
<u>Recommendation 11</u> : Intensify efforts to build regional expert capacity in the Caribbean.	Agree.	CARTAC will prepare an Action Plan for enhancing regional expert capacity, for discussion at the April 2016 SC meeting.	November. 2015	CARTAC
<u>Recommendation 12</u> : To promote the efficient use of their resources development partners should consolidate their aid to technical assistance in the Caribbean in the IMF core areas as much as possible under the CARTAC umbrella. To facilitate this CARTAC should produce a survey of development partner activity in each of the sectors in which it operates.	Partially agree.	CARTAC will continue to coordinate its TA and training with that of other TA providers in the region. Where possible development partners will be encouraged to program their assistance in areas which are additional and complementary to CARTAC's work, in order to optimize synergies.  CARTAC Phase V Program Document will include an overview of development partners and their activity in the Caribbean in each of the sectors in which the Center operates.	Ongoing  Apr 2016	CARTAC  CARTAC, ICDGP

## Annex IV. CARTAC Phase V Priorities by Country

### CARTAC Phase V Priorities—Antigua and Barbuda

Sector	Medium Term Priorities (Phase V)
<b>Macroeconomic Programming and Analysis</b>	N/A
<b>Public Financial Management</b>	EU is funding a further 3 year PFM reform effort through SEMCAR (World Bank). CARTAC PFM will support as required, but to a minimal extent.
<b>Tax Admin.</b>	1. Perform training needs assessment and develops an appropriate training plan; 2. Establish a taxpayer service strategic plan linked with the CSP and Compliance Management Plan; 3. Establish an automated audit case selection system to effectively target high risk cases.
<b>Customs Admin.</b>	Trade facilitation, risk management, CVO, PCA
<b>Financial Stability</b>	Developing Financial Health and Stability Indicators for the Non-Bank Sector (especially insurance and credit unions).
<b>Financial Sector Supervision</b>	N/A
<b>Statistics-Real Sector</b>	Work towards implementing the SDDS requirements (i.e. QGDP, monthly CPI and PPI, monthly IPI, improved LFS). 2017 SUT, and rebasing of GDP to 2017 and CPI planned.
<b>Statistics-External Sector</b>	1. Further enhance data quality (timeliness, coverage, and methodological soundness) of the balance of payments, IIP, external debt statistics; and 2. Broaden the scope of the ESS with the compilation and dissemination of foreign direct investments statistics by partner countries.

### CARTAC Phase V Priorities—The Bahamas

Sector	Medium Term Priorities (Phase V)
<b>Macroeconomic Programming and Analysis</b>	N/A
<b>Public Financial Management</b>	Implement GFS compliant budget and financial reporting. Improve IPSAS compliant financial reporting, including data on balance sheet accounts in notes to financial statement. Identify mechanism to prepare for consolidation of financial reporting.
<b>Tax Admin.</b>	(1) Strengthen HQ functions, (2) improve compliance; (3) streamline and improve taxpayer service and education
<b>Customs Admin.</b>	Customs role in VAT, Trade facilitation, risk management, CVO, PCA, implementation of CRA.
<b>Financial Stability</b>	Establishing appropriate macro-prudential policy frameworks.
<b>Financial Sector Supervision</b>	Basel III implementation - Enhancements to capital and liquidity risk management framework, macro prudential surveillance, governance and disclosure and transparency requirements.
<b>Statistics-Real Sector</b>	Work towards implementing the SDDS requirements (i.e. institutional sector accounts, monthly PPI, monthly IPI, improved QLFS). SUT and rebasing of GDP and CPI planned.

Sector	Medium Term Priorities (Phase V)
<b>Statistics-External Sector</b>	1. Further enhance data quality (timeliness, coverage, and methodological soundness) of the balance of payments, IIP, and external debt statistics and CPIS data; and 2. Broaden the scope of the ESS with the compilation and dissemination of direct investment statistics by partner countries.

#### CARTAC Phase V Priorities—Barbados

Sector	Medium Term Priorities (Phase V)
<b>Macroeconomic Programming and Analysis</b>	a) Ensuring that the annual budget process is guided by a medium-term macroeconomic and fiscal framework. b) Ensuring that a medium-term strategy document is published at Budget
<b>Public Financial Management Tax Admin.</b>	Continue implementation of reform priorities, including updating of legislation.  Strengthen HQ functions (operational planning and performance management). Introduce segmentation (increase the VAT threshold). Achieve the modernization of the IT system.
<b>Customs Admin.</b>	Integration of customs into BRA, risk based approach, PCA, Trade Facilitation, strengthened enforcement.
<b>Financial Stability</b>	Development of Macro Prudential and Systemic Risk Indicators. Financial sector interconnectedness.
<b>Financial Sector Supervision</b>	Basel III implementation - Enhancements to capital and liquidity risk management framework, macro prudential surveillance, governance and disclosure and transparency requirements.
<b>Statistics-Real Sector</b>	Work towards implementing the SDDS requirements (i.e. improved A&QGDP, monthly PPI, expand IPI, improve QLFS). Compile 2016/17 SUT and rebasing of GDP and CPI planned.
<b>Statistics-External Sector</b>	1. Further enhance data quality (timeliness, coverage, and methodological soundness) of the balance of payments and IIP statistics and CPIS data; and 2. Broaden the scope of the ESS with the compilation and dissemination of total external debt statistics (public and private).

### CARTAC Phase V Priorities—Belize

Sector	Medium Term Priorities (Phase V)
<b>Macroeconomic Programming and Analysis</b>	N/A
<b>Public Financial Management</b>	Implement new chart of accounts. Continue improvements in budget processes, including preparation of medium term budget framework, improved analysis, and reduction of supplementals. Use PFM reform monitoring to identify accomplishments and areas of concern. Belize is the only country in the region without an internal audit and it is critical to establish.
<b>Tax Admin.</b>	(1) Strengthen HQ function and monitoring program performance measures ;( 2) Establish CSP; (3) Establish compliance management risk plan ;( 4) Establish taxpayer services strategic plan.
<b>Customs Admin.</b>	New customs law required, single window to facilitate trade, strengthened risk management and enforcement.
<b>Financial Stability</b>	Development of Macro-prudential policy framework.
<b>Financial Sector Supervision</b>	(i) Basel III implementation Enhancements to capital and liquidity risk management framework, macro prudential surveillance, governance and disclosure and transparency requirements. (ii) Risk based supervision for Banks.
<b>Statistics Real Sector</b>	Work towards implementing the SDDS requirements), starting with the transition to e-GDDS. SUT and rebasing of GDP and CPI also planned.
<b>Statistics-External Sector</b>	1. Further enhance data quality (timeliness, coverage, and methodological soundness) of the balance of payments, IIP, and external debt statistics; and 2. Broaden the scope of the ESS with the compilation and dissemination of foreign direct investments by partner countries.

### CARTAC Phase V Priorities—Dominica

Sector	Medium Term Priorities (Phase V)
<b>Macroeconomic Programming and Analysis</b>	a) Ensuring that the annual budget process is guided by a medium-term macroeconomic and fiscal framework. b) Ensuring that a medium-term strategy document is published at Budget
<b>Public Financial Management</b>	Generally, the focus will be on strengthening the oversight and monitoring of SOEs/SBs; move to program based budgeting, achieve IPSAS compliance in annual financial statements and develop the internal audit function to meet international standards.
<b>Tax Admin.</b>	1) Establish audit file selection system based on risk and comparative analysis; (2) Possible simple presumptive tax system for small taxpayers below the VAT threshold; (3) Implement taxpayer services strategy;
<b>Customs Admin.</b>	Trade facilitation, risk management, CVO, PCA
<b>Financial Stability</b>	Developing Financial Health and Stability Indicators for the Non-Bank Sector (especially insurance and credit unions).
<b>Financial Sector Supervision</b>	Non-bank supervision including consolidated supervision, corporate governance framework and supervisory interventions. Training of supervisory staff in the conduct of non-bank supervision.

Sector	Medium Term Priorities (Phase V)
<b>Statistics-Real Sector</b>	Work towards implementing the e-GDDS requirements. Improving AGDP and developing QGDP, monthly IPI, improve IMTS and LFS. Planning SUT and rebasing GDP and CPI.
<b>Statistics-External Sector</b>	1. Further enhance data quality (timeliness, coverage, and methodological soundness) of the balance of payments, IIP, and external debt statistics; and 2. Broaden the scope of the ESS with the compilation and dissemination of foreign direct investments by partner countries.

#### CARTAC Phase V Priorities—Eastern Caribbean Central Bank

Sector	Medium Term Priorities (Phase V)
<b>Macroeconomic Programming and Analysis</b>	The ECCB should be pushing for member countries to publish their annual macro/fiscal strategies with their annual Budget.
<b>Public Financial Management</b>	n/a
<b>Tax Admin.</b>	n/a
<b>Customs Admin.</b>	n/a
<b>Financial Stability</b>	Macro-prudential policy framework. Crisis Management Planning in the financial sector.
<b>Financial Sector Supervision</b>	(i) Basel III implementation - Enhancements to capital and liquidity risk management framework, macro prudential surveillance, governance and disclosure and transparency requirements. (ii) Implementation of Risk based supervision for domestic banks, particularly in the identification, measurement, management and oversight of credit risk and (iii) implementation of effective supervisory intervention guidelines.
<b>Statistics-Real Sector</b>	Work towards implementing the SDDS requirements (i.e. institutional sector accounts, monthly PPI, monthly IPI, improved QLFS), starting with the transition to e-GDDS ECCU members to improve economic data dissemination. Rebasing GDP to 2017 and rebasing of CPI.
<b>Statistics-External Sector</b>	1. Further enhance data quality (timeliness, coverage, and methodological soundness) of the ECCU's balance of payments and IIP statistics; and 2. Broaden the scope of the ECCU's ESS with the compilation and dissemination of external debt statistics and/or foreign direct investments statistics by partner countries.

**CARTAC Phase V Priorities—Grenada**

Sector	Medium Term Priorities (Phase V)
<b>Macroeconomic Programming and Analysis</b>	a) Ensuring that the annual budget process is guided by a medium-term macroeconomic and fiscal framework. b) Ensuring that a medium-term strategy document is published at Budget
<b>Public Financial Management</b>	Cash forecasting, commitment control will be also be medium term priorities, along with building an effective internal audit unit and moving closer to IPSAS cash basis for annual financial statements now that they are up to date.
<b>Tax Admin.</b>	Address IT issues. Improve performance management.
<b>Customs Admin.</b>	Trade facilitation, risk management, CVO, PCA
<b>Financial Stability</b>	Developing Financial Health and Stability Indicators for the Non-Bank Sector (especially insurance and credit unions).
<b>Financial Sector Supervision</b>	Non-bank supervision including consolidated supervision, corporate governance framework and supervisory interventions. Training of supervisory staff in the conduct of non-bank supervision.
<b>Statistics-Real Sector</b>	Work towards implementing the SDDS requirements (i.e. improved A&GDP; monthly PPI, expand IPI, improve QLFS), starting with the transition to e-GDDS. Compile SUT and rebasing of GDP and CPI planned.
<b>Statistics-External Sector</b>	1. Further enhance data quality (timeliness, coverage, and methodological soundness) of the balance of payments and IIP statistics; and 2. Broaden the scope of the ESS with the compilation and dissemination of external debt statistics and/or foreign direct investments statistics by partner countries.

**CARTAC Phase V Priorities—Guyana**

Sector	Medium Term Priorities (Phase V)
<b>Macroeconomic Programming and Analysis</b>	a) Ensuring that the annual budget process is guided by a medium-term macroeconomic and fiscal framework. b) Ensuring that a medium-term strategy document is published at Budget
<b>Public Financial Management</b>	Continue PFM reforms as highlighted in 2013 PEFA.
<b>Tax Admin.</b>	More involvement in strategic and operational planning and performance management.
<b>Customs Admin.</b>	Trade facilitation, modernized customs law. Effective use of ASYCUDA World data mining and reporting to strengthen risk management (for both compliance and facilitation). Development of a single window type trade portal and preferred trader (trusted trader) program.
<b>Financial Stability</b>	Macro-prudential policy framework. Crisis Management Planning in the financial sector. Improving information on financial sector interconnectedness.

Sector	Medium Term Priorities (Phase V)
<b>Financial Sector Supervision</b>	(i) Basel III implementation - Enhancements to capital and liquidity risk management framework, macro prudential surveillance, governance and disclosure and transparency requirements. (ii) Risk based supervision for Banks and consolidated supervision.
<b>Statistics-Real Sector</b>	Working on implementing the e-GDDS requirements (i.e. improve AGDP, develop QGDP, from Q to M CPI, monthly IPI and annual LFS). SUT and rebasing of GDP planned.
<b>Statistics-External Sector</b>	1. Enhance data quality (timeliness, coverage, and methodological soundness) of balance of payments statistics and initiate compilation and dissemination of IIP statistics aligning compilation system to BPM6 guidelines; and 2. Broaden the scope of the ESS with the compilation and dissemination of external debt statistics and/or foreign direct investments statistics by partner countries.

#### CARTAC Phase V Priorities—Haiti

Sector	Medium Term Priorities (Phase V)
<b>Macroeconomic Programming and Analysis</b>	N/A
<b>Public Financial Management</b>	Evaluate budget process at conclusions of EU program and identify roadmap to continue improvement.
<b>Tax Admin.</b>	Complete structural re-organization (priority given to establishing strong HQ). Improve compliance management. Monitor performance.
<b>Customs Admin.</b>	
<b>Financial Stability</b>	Development of Financial soundness, macro-prudential and systemic risk indicators.
<b>Financial Sector Supervision</b>	Basel II implementation and consolidate risk-based supervision for banks and credit unions.
<b>Statistics-Real Sector</b>	Working on implementing the e-GDDS requirements. Rebase to 2011/12, improve AGDP-P & E, and rebase CPI.
<b>Statistics-External Sector</b>	1. Enhance data quality (timeliness, coverage, and methodological soundness) of balance of payments and IIP statistics aligning compilation system to BPM6 guidelines; and 2. Broaden the scope of the ESS with the compilation and dissemination of external debt statistics and/or foreign direct investments statistics by partner countries.

### CARTAC Phase V Priorities—Jamaica

Sector	Medium Term Priorities (Phase V)
<b>Macroeconomic Programming and Analysis</b>	N/A
<b>Public Financial Management</b>	Continue to monitor reform progress identifying gaps in coverage from other development partners, or need to reinforce reforms initiated to become sustainable.
<b>Tax Admin.</b>	Develop a modern TAPA giving more power to TAJ. Improve taxpayer compliance and improve performance measurement.
<b>Customs Admin.</b>	Effective use of ASYCUDA World data mining and reporting to strengthen risk management (for both compliance and facilitation).
<b>Financial Stability</b>	Macro-prudential policy frameworks. Developing macro-financial linkage model. Consolidating Flow-of-Funds Analysis.
<b>Financial Sector Supervision</b>	(i) Basel III implementation - Enhancements to capital and liquidity risk management framework, macro prudential surveillance, governance and disclosure and transparency requirements. (ii) Implementation of Risk based supervision for domestic banks, particularly in the identification, measurement, management and oversight of risk and (iii) implementation of effective supervisory intervention guidelines (iv) implementation of consolidated supervision for banks and effective corporate governance framework for banks and non-banks supervision.
<b>Statistics-Real Sector</b>	Work towards implementing the SDDS requirements), starting with the transition to e-GDDS. Development of institutional sector financial accounts and balance sheets; developing monthly IPI; rebasing of GDP to 2014; and rebase of CPI planned.
<b>Statistics-External Sector</b>	1. Enhance data quality (timeliness, coverage, and methodological soundness) of balance of payments, IIP, external debt statistics; and 2. Broaden the scope of the ESS with the compilation and dissemination of foreign direct and, if relevant, portfolio investments statistics by partner countries.

### CARTAC Phase V Priorities—St. Kitts and Nevis

Sector	Medium Term Priorities (Phase V)
<b>Macroeconomic Programming and Analysis</b>	a) Ensuring that the annual budget process is guided by a medium-term macroeconomic and fiscal framework. b) Ensuring that a medium-term strategy document is published at Budget
<b>Public Financial Management</b>	Based on PEFA outcome.
<b>Tax Admin.</b>	(1) Strengthen HQ function; (2) Improve taxpayer education and service via building technical capacity; (3) Establish file selection system based on risk and comparison analysis, and (4) Establish taxpayer services strategy.
<b>Customs Admin.</b>	Trade facilitation, risk management, CVO, PCA
<b>Financial Stability</b>	Developing Financial Health and Stability Indicators for the Non-Bank Sector (especially insurance and credit unions).

Sector	Medium Term Priorities (Phase V)
<b>Financial Sector Supervision</b>	Consolidate gains on risk based supervision, consolidated supervision and enhanced corporate governance in non-banks.
<b>Statistics-Real Sector</b>	Work towards implementing the SDDS requirements (i.e. improved AGDP, QGDP-P, monthly PPI and IPI), starting with the transition to e-GDDS. Like other ECCU members develop the 2017 SUT, rebase GDP to 2017 and rebase the CPI.
<b>Statistics-External Sector</b>	Production of other external sector statistics, such as external debt statistics (public and private), direct and portfolio investments by partner countries.

#### CARTAC Phase V Priorities—St. Lucia

Sector	Medium Term Priorities (Phase V)
<b>Macroeconomic Programming and Analysis</b>	a) Ensuring that the annual budget process is guided by a medium-term macroeconomic and fiscal framework. b) Ensuring that a medium-term strategy document is published at Budget
<b>Public Financial Management</b>	Treasury reform will take 2-3 years to complete and will remain the focus in the medium term.
<b>Tax Admin.</b>	Address IT issues. Improve compliance management. Implement the property tax reform. Simplify the PIT system.
<b>Customs Admin.</b>	Trade facilitation, risk management, CVO, PCA, developing the management function. Effective use of ASYCUDA World data mining and reporting to strengthen risk management (for both compliance and facilitation).
<b>Financial Stability</b>	Developing Financial Health and Stability Indicators for the Non-Bank Sector (especially insurance and credit unions).
<b>Financial Sector Supervision</b>	Consolidate gains on Basel II implementation, risk based supervision and consolidated supervision. Enhanced Corporate governance in non-banks.
<b>Statistics-Real Sector</b>	Work towards implementing the SDDS requirements (i.e. improved AGDP, QGDP-P, monthly PPI and IPI), starting with the transition to e-GDDS. 2016 SUT, and rebasing of GDP to 2017 and rebase of CPI planned.
<b>Statistics-External Sector</b>	1. Further enhance data quality (timeliness, coverage, and methodological soundness) of balance of payments, IIP, and external debt statistics; and 2. Broaden the scope of the ESS with the compilation and dissemination of foreign direct investments statistics by partner countries.

#### CARTAC Phase V Priorities—St. Vincent and the Grenadines

Sector	Medium Term Priorities (Phase V)
<b>Macroeconomic Programming and Analysis</b>	a) Ensuring that the annual budget process is guided by a medium-term macroeconomic and fiscal framework. b) Ensuring that a medium-term strategy document is published at Budget

Sector	Medium Term Priorities (Phase V)
<b>Public Financial Management</b>	SOE/SB oversight and implementation, internal audit have been flagged as ongoing reform areas.
<b>Tax Admin.</b>	(1) Improve tax compliance using TADAT use a guide for benchmarking; (2) transparency and accountability - fully developed strategic management framework - and publishing of CSP and national compliance program; (3) Establish Taxpayer Service Strategy; (4) Strengthen HQ functions and LMTS.
<b>Customs Admin.</b>	Effective procedures and trained staff for the new international airport. Trade facilitation, risk management, CVO, PCA
<b>Financial Stability</b>	Developing Financial Health and Stability Indicators for the Non-Bank Sector (especially insurance and credit unions).
<b>Financial Sector Supervision</b>	Consolidate gains on risk based supervision, consolidated supervision and enhanced corporate governance in non-banks and training of non-bank supervisors.
<b>Statistics-Real Sector</b>	Work towards implementing the e-GDDS requirements. Improved AGDP; and developing QGDP-P, monthly PPI and IPI. Like other ECCU members develop the 2017 SUT, rebase GDP to 2017 and rebase the CPI.
<b>Statistics-External Sector</b>	1. Further enhance data quality (timeliness, coverage, and methodological soundness) of balance of payments and IIP statistics; and 2. Broaden the scope of the ESS with the compilation and dissemination of external debt statistics and/or foreign direct investments statistics by partner countries.

### CARTAC Phase V Priorities—Suriname

Sector	Medium Term Priorities (Phase V)
<b>Macroeconomic Programming and Analysis</b>	a) Ensuring that the annual budget process is guided by a medium-term macroeconomic and fiscal framework. b) Ensuring that a medium-term strategy document is published at Budget
<b>Public Financial Management</b>	PEFA assessment conducted in 2014 by IADB to be finalized in Dec 2015 with action plan prepared. CARTAC and other development partners' requests for TA will be included in action plan.
<b>Tax Admin.</b>	Modernization of tax and custom - revenue authority and broader tax reform
<b>Customs Admin.</b>	Implement modernization and reform program - centering on compliance and trade facilitation
<b>Financial Stability</b>	Developing macro-prudential policy framework.
<b>Financial Sector Supervision</b>	Consolidate risk-based supervision and assistance with Basel II implementation.
<b>Statistics-Real Sector</b>	Work towards implementing the SDDS requirements, starting with the transition to e-GDDS. Improve AGDP; develop QGDP-P, monthly PPI and IPI. Develop the 2015 SUT, rebase GDP to 2015 and rebase the CPI.
<b>Statistics-External Sector</b>	1. Enhance data quality (timeliness, coverage, and methodological soundness) of balance of payments, IIP, and external debt statistics aligning compilation systems to the latest manual/guide; and 2. Broaden the scope of the ESS with the compilation and dissemination of foreign direct investments statistics by partner countries or other ESS datasets relevant for the economy.

### CARTAC Phase V Priorities—Trinidad and Tobago

Sector	Medium Term Priorities (Phase V)
<b>Macroeconomic Programming and Analysis</b>	a) Ensuring that the annual budget process is guided by a medium-term macroeconomic and fiscal framework. b) Ensuring that a medium-term strategy document is published at Budget
<b>Public Financial Management</b>	Continue work in Treasury to automate business processes, generate/distribute audited IPSAS compliant financial reports, and continue improvements for monitoring/forecasting for cash and bank accounts.
<b>Tax Admin.</b>	Assist with the reform of BIRD- consideration should be given to implement a SARA similar to that of Jamaica - The new government indicated that priority will be given to reforming the tax system
<b>Customs Admin.</b>	Effective use of ASYCUDA World data mining and reporting to strengthen risk management (for both compliance and facilitation). Development of a single window type trade portal and preferred trader (trusted trader) program.

<b>Financial Stability</b>	Macro-prudential policy frameworks; developing macro-financial linkage model, and consolidating Flow-of-Funds Analysis.
<b>Financial Sector Supervision</b>	Basel III implementation - Enhancements to capital and liquidity risk management framework, macro prudential surveillance, governance and disclosure and transparency requirements.
<b>Statistics-Real Sector</b>	Work towards implementing the SDDS requirements. Improve AGDP, develop QGDP-P, and move from quarterly to monthly PPI and IPI. Develop the 2015 SUT, rebase GDP to 2015 and rebase the CPI.
<b>Statistics-External Sector</b>	1. Enhance data quality (timeliness, coverage, and methodological soundness) of balance of payments and IIP statistics aligning compilation system to BPM6 guidelines; and 2. Broaden the scope of the ESS with the compilation and dissemination of external debt statistics and/or foreign direct investments statistics by partner countries.

### Annex V. Development Partner Matrix

Sector	Development Partner	Program Title/Objectives	Beneficiaries/Country Coverage	Main Activities	Timing /Budget
<b>Public Financial Management</b>	Canada	<b>Enhancing Public Financial Management in the Caribbean</b> - provides support to Caribbean countries that are facing crises and are prepared to deal with long-standing weaknesses in their fiscal and economic management through a fiscal reform program supported by the IMF.	Jamaica: 33%; Grenada: 15%; Antigua and Barbuda: 8%; Anguilla: 8%; Dominica: 8%; Saint Kitts and Nevis: 8%; Montserrat: 8%; Saint Lucia: 7%; Saint Vincent and the Grenadines: 5%	Supports two packages of technical assistance. The first, valued at \$5M, helps support fiscal and economic reforms that will form the basis for the sustainable public financial management needed as a precondition for investment and growth in Jamaica. The second, valued at \$10M, responds to tourism-dependent Eastern Caribbean countries undergoing deepening financial vulnerabilities	CAD \$15M (2014-2018)
	Canada	<b>Caribbean Technical Assistance Centre (CARTAC) IV</b> - to enhance the management of public finances in the Caribbean region through increased effectiveness of domestic revenue systems, more effective and transparent budget preparation and execution, and improved macro fiscal policy formulation.	Antigua and Barbuda: 6.25%; Anguilla: 6.25%; Barbados: 6.25%; Bahamas: 6.25%; Belize: 6.25%; Dominica: 6.25%; Grenada: 6.25%; Guyana: 6.25%; Jamaica: 6.25%; Saint Kitts and Nevis: 6.25%; Saint Lucia: 6.25%; Montserrat: 6.25%; Suriname: 6.25%; Trinidad and Tobago: 6.25%; Saint Vincent and the Grenadines: 6.25%; British Virgin Islands: 6.25%	Provision of TA and training by the IMF in core areas of economic and financial management in response to Caribbean governments' requests.	CAD \$20M (2011-2016)

Sector	Development Partner	Program Title/Objectives	Beneficiaries/Country Coverage	Main Activities	Timing /Budget
	Canada	<b>Economic Management in the Caribbean (SEMCAR)</b> - to enhance economic management in the Caribbean region by improving revenue generation (tax and customs), and implementing sustainable medium-term fiscal and budgetary policies, reorienting budget expenditure towards more effective and efficient programs. In addition, improved cash and debt management would help to reduce both financing costs and risks.	Antigua and Barbuda: 8.33%; Anguilla: 8.33%; Cuba: 8.33%; Dominica: .33%; Dominican Republic: 8.33%; Grenada: 8.33%; Haiti: 8.33%; Jamaica: 8.33%; Saint Kitts and Nevis: 8.33%; Saint Lucia: 8.33%; Saint Vincent and the Grenadines: 8.37%; Montserrat: 8.33%	Production/implementation of regional Strategic and Risk Management Frameworks to address issues pertaining to Tax and Customs Administration in seven beneficiary counties; development and delivery of the Customs Assessment Trade Toolkits in seven countries with follow up TA; execution of multiple regional workshops and training, benefiting over 428 public officials in areas like Risk and Strategic Management, Internal Audit and Controls, Strategic Budgeting, and IFMIS; extensive mid-term evaluation to review progress and accomplishments; operationalizing a Caribbean ICT Implementation Team, charged with executing an ICT strategy aimed at establishing a regional strategic approach to integration and enhancement of their PFM systems.	CAD \$19.7M (2010-2016)

Sector	Development Partner	Program Title/Objectives	Beneficiaries/Country Coverage	Main Activities	Timing /Budget
	Canada	<b>Eastern Caribbean Central Bank Debt Management Service</b> - to support the establishment of a debt management advisory service within the Eastern Caribbean Central Bank (ECCB) to address the debt issues of the ECCB member states and to establish sustainable systems and procedures for improved debt management.	Antigua and Barbuda: 16.67%; Dominica: 16.67%; Grenada: 16.67%; Saint Kitts and Nevis: 16.67%; Saint Lucia: 16.66%; Saint Vincent and the Grenadines: 16.66%	Developing manuals and guidelines for debt management; providing technical assistance, professional assignment opportunities, and training to the staff of member states' debt management units; introducing debt management software at the ECCB and in member states; and establishing quality control procedures at the ECCB for all debt management efforts, to enforce standards and ensure sustainability for member states.	CAD \$7.5M (2008-2016)
	Canada	<b>OECS Institutional Strengthening</b> -to strengthen the Organization of Eastern Caribbean States (OECS) Secretariat's capacity to fulfill its mandate to support the development objectives of the countries of the Eastern Caribbean.	Antigua and Barbuda: 12.5%; Anguilla: 12.5%; Dominica: 12.5%; Grenada: 12.5%; Saint Kitts and Nevis: 12.5%; Saint Lucia: 12.5%; Montserrat: 12.5%; Saint Vincent and the Grenadines: 12.5%	Strengthening administrative management, financial management, research, data collection and analysis, human resource management, and communications and public awareness. The thrust of the project is to create a "center of excellence" that is more focused, viable, and relevant to OECS member states and donor countries.	CAD \$4M (2004-2016)
	DFID	(1)WB TF: PSIP and medium term budgeting in Jamaica; (2) WB EFO to support Open data in St Lucia (3) World Bank Trust Fund: Value for money in public expenditure	OECS/Jamaica	Strengthening public investment and procurement frameworks in OECS and establishing open data platforms in OECS and Jamaica	(1)£1.9m 2014-2016 (2) £500,000 2014-2016 & (3) £4m 2016-2020

Sector	Development Partner	Program Title/Objectives	Beneficiaries/Country Coverage	Main Activities	Timing /Budget
	EU	<b>10th EDF PFM Reform Programme/</b> The objective is to contribute to improvements in the overall governance of the public sector in Antigua and Barbuda through the institutional and organizational strengthening of the country's public financial management (PFM) and revenue administration systems.	Antigua and Barbuda	TA activities for Improved macro-fiscal policy and planning; Improved Revenue Collection; Improved Budget Execution; Improved Debt and Guarantee Management; Improved Cash Management; Improved External Audit; Overall PFM reform strategy	Oct 2011 - May 2016 ; €3,000,000
	EU	<b>11th EDF PFM &amp; Revenue Reform Programme/</b> The objective is to contribute to improvements in the overall governance of the public sector in Antigua and Barbuda through the institutional and organizational strengthening of the country's public financial management (PFM) and revenue administration systems.	Antigua and Barbuda	Programming ongoing	2016 - 2020; €2,400,000
	EU	PEFA and PFM Reform Plan [TA under Sugar 2013 Budget Support Programme]	St. Kitts and Nevis	PEFA Assessment using new 2016 methodology, and development of a PFM Reform Plan	Dec 2015 - Apr 2016; €131,721

Sector	Development Partner	Program Title/Objectives	Beneficiaries/Country Coverage	Main Activities	Timing /Budget
	EU	10th EDF: Economic Integration and Trade of the OECS/The implementation of the OECS Labor Market Information System (LMIS) Programme in the OECS Member States.	OECS	Conduct of the OECS Labor Force Survey, the OECS Job Openings and Labor Turnover Survey (JOLTS), and the deployment of the Caribbean Labor Market Information Systems (CLMIS) version 2.0 in the beneficiary Member States	
<b>Macroeconomic Programming</b>	Caribbean Development Bank	Medium Term Development Strategy	Antigua and Barbuda	Improve social & economic planning.	(2011-2016).US\$118,000
		Review of the Institutional Framework for Macroeconomic Management	St. Lucia	Define the appropriate institutional framework for the formulation, implementation, monitoring and evaluation of policies.	(2011-2016). US\$97,400
		National Poverty Education Strategy and Action Plan	St. Vincent and the Grenadines	Develop an integrated, gender sensitive and results based NPRS.	
		National Poverty Education Strategy and Action Plan	St. Vincent and the Grenadines	Develop an integrated, gender sensitive and results based NPRS.	
<b>Financial Sector</b>	Canada	<b>Financial Sector Strengthening (ECCU)</b> - enable the Eastern Caribbean Central Bank to conduct an asset quality review of the 14 locally owned banks and the foreign owned, locally incorporated subsidiary of Republic Bank of Trinidad in Grenada, which are under extreme stress.	Anguilla , Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, Montserrat, St. Lucia, and St. Vincent and the Grenadines	Oversee the preparation of an asset quality review (AQR) focused on the 14 locally owned Eastern Caribbean banks and the Republic Bank of Trinidad in Grenada; assess the quality and valuation of the loans and investments of the examined banks, so as to determine the capital position of each of the banks	CAD \$5.6M (2014-2015)

Sector	Development Partner	Program Title/Objectives	Beneficiaries/Country Coverage	Main Activities	Timing /Budget
	DFID	World Bank TF: Support ECCU financial sector resolution	OECS	Diagnostic work, legal drafting, training, development of Asset management vehicle, dynamic modelling	£1.8m 2013-2016
<b>Statistics</b>	Canada	<b>Project for the Regional Advancement of Statistics in the Caribbean (PRASC)</b> - improves the ability of CARICOM countries' national statistics agencies to provide solid and credible social and economic statistics to policy makers for use in the development of customized programs to improve the social and economic well-being of Caribbean women and men, boys and girls.	Saint Vincent and the Grenadines: 8.37%; Antigua and Barbuda: 8.33%; Anguilla: 8.33%; Cuba: 8.33%; Dominica: 8.33%; Dominican Republic: 8.33%; Grenada: 8.33%; Haiti: 8.33%; Jamaica: 8.33%; Saint Kitts and Nevis: 8.33%; Saint Lucia: 8.33%; Montserrat: 8.33%	Activities in 14 National Statistics Organizations (NSOs) and regional institutions. Some of these activities include: (1) mentoring 270 officers from national and regional statistics offices and set up placements in NSOs on international best practices for national accounts; (2) coaching of 270 persons on internationally recognized methods and tools for social and economic surveys; (3) developing statistics centers of excellence in the region; and (4) training to improve data use and dissemination.	(2013-2015).US\$36,500 (A&B);
	DFID	World Bank EFO: Support OECS regional stats strategy development	OECS	TA to support delivery of OECS region stats strategy	£500,000 2015-2016

Source: CARTAC development partners, January 2016.

## Annex VI. Communications and Visibility Plan

Stakeholders	Purpose	Means	Timing/Responsibility
<b>1. Steering Committee</b>	1.1 Report on program implementation and performance 1.2 Solicit feedback on priorities and emerging issues	1.1. Annual Report 1.2 Quarterly Newsletter 1.3 PC meets with members periodically 1.4 SC meetings	1.1 CARTAC Annual 1.2 CARTAC – Quarterly 1.3 Ongoing
<b>2. Policy Makers</b>	2. Ensure that CARTAC is responding appropriately to country priorities, both ongoing and emerging	2.1 PC meets with members periodically 2.2 PC meets with new governments/ministries within 1 month of appointment 2.3 Online annual satisfaction survey 2.4 Training evaluations and feedback	2.1 Ongoing 2.2 Within 2 months of appointment 2.3 Annual, pre-DC meeting 2.4 Ongoing/CARTAC advisors
<b>3. CARTAC Development partners</b>	3.1 Report on program implementation and performance 3.2 Raise awareness among development partner stakeholders of role and impact of CARTAC 3.3 Ensure appropriate visibility of development partner contributions	3.1 Annual Report 3.2 Case studies/articles for dissemination to wider audience 3.3.1 Development partner logos to be included on all visibility materials, including workshop and seminar invitations, annual report etc. 3.3.2 Reference to development partners in TA Report transmittal letters	3.1.1 CARTAC Annually 3.2.1 Annual, post-SC meetings 3.3.1 Ongoing 3.3.2 Ongoing
<b>4. Academia</b>	4.1 Leverage CARTAC expertise to strengthen links with academia 4.2 Use and expand internship program, including enhanced visibility of internship program	4.1 CARTAC advisors to lecture at colleges on topics of CARTAC relevance 4.2 Broader dissemination of internship program through media, university websites etc.	4.1 Ad hoc 4.2 Annual, based on internship plan
<b>5. Media</b>	5.1 Increase knowledge and awareness of CARTAC mandate and activities 5.2 Ensure accurate and timely representation of CARTAC activities in the media	5.1 Training for regional journalists, jointly with COMM 5.2 Press releases for SC and key events	5.1 Annual 5.2 Ongoing
<b>6. Public</b>	6. Increase knowledge and awareness of CARTAC mandate and work	6.1 Press releases and articles 6.2 Special articles on CARTAC, including in the IMF's Caribbean Corner, and in local and regional press 6.3 Update, maintain and expand use of social media – in particular the CARTAC Facebook page.	6.1 Ongoing 6.2 Four/year 6.3 Ongoing

## Annex VII. CARTAC Phase V—Strategic Log frame

CARTAC STRATEGIC LOGICAL FRAMEWORK			
<b>Strategic Objective: "To support inclusive and sustainable economic growth and stability in the Caribbean, through increased fiscal space, financial sector stability and risk mitigation, and enhanced capacity for macroeconomic statistics and analysis, in a responsive and effective manner"</b>			
Regional Program Objective	Verifiable Indicators	Progress on Indicators	Risks, Assumptions and Risk Mitigation
<b>Public Financial Management:</b> To strengthen aggregate fiscal discipline , strategic allocation of resources and efficient service delivery in CARTAC member countries	<ul style="list-style-type: none"> <li>Countries continue progress towards 'core' PFM</li> <li>XX countries have improved frameworks for public investments</li> <li>XX countries ability to manage fiscal risks has improved</li> </ul>	<i>Annual reporting on progress through CD-PORT; mid-term evaluation' PEFA's</i>	<ul style="list-style-type: none"> <li>Inadequate staffing, skills or expertise assigned to various functions;</li> <li>Technology constraints (.e.g. IT systems not being kept up to date with latest releases or other functionality gaps.)</li> <li>To manage this risk, CARTAC will increase its focus on institutional assessments and strengthen engagement with ministerial decision-makers.</li> </ul>
<b>Revenue-Tax:</b> To support domestic revenue mobilization through improved structures and systems and enhanced management capabilities.	<ul style="list-style-type: none"> <li>VAT efficiency and productivity across the region maintained or increased</li> <li>XX revenue administrations have appropriate organizational structures</li> <li>XX countries have moved to risk-based assessment</li> <li>XX countries have adopted KPIs , which are being monitored</li> </ul>	<i>Annual reporting on progress through CD-PORT; RA-FIT; TADAT</i>	<p>In addition to the risks associated with the small size of administrations, challenges to sustainable tax reforms include:</p> <ul style="list-style-type: none"> <li>Lack of buy-in from the Ministry of Finance and political directorate can</li> </ul>

**CARTAC STRATEGIC LOGICAL FRAMEWORK**

**Strategic Objective: "To support inclusive and sustainable economic growth and stability in the Caribbean, through increased fiscal space, financial sector stability and risk mitigation, and enhanced capacity for macroeconomic statistics and analysis, in a responsive and effective manner"**

<b>Regional Program Objective</b>	<b>Verifiable Indicators</b>	<b>Progress on Indicators</b>	<b>Risks, Assumptions and Risk Mitigation</b>
			<p>lead to insufficient legal authority for tax administration to exercise its mandate in full</p> <ul style="list-style-type: none"> <li>• Insufficient resources allocated to tax administrations to invest in IT systems in the OECS countries.</li> <li>• Failure to strengthen legislation (enforcement and filing of 3rd party information) and lack of legal support in most countries (high risk).</li> <li>• International tax treatment: the region suffers for the lack of capacity to handle cross- border trading, tax planning, and is not equipped to handle digital transactions given antiquated legislation and treaties.</li> </ul>

**CARTAC STRATEGIC LOGICAL FRAMEWORK**

**Strategic Objective: "To support inclusive and sustainable economic growth and stability in the Caribbean, through increased fiscal space, financial sector stability and risk mitigation, and enhanced capacity for macroeconomic statistics and analysis, in a responsive and effective manner"**

<b>Regional Program Objective</b>	<b>Verifiable Indicators</b>	<b>Progress on Indicators</b>	<b>Risks, Assumptions and Risk Mitigation</b>
			<p>In order to manage these risks CARTAC will organize high level seminars to sensitize decision makers (MOF, PS/FS) on tax administration and tax policy issues.</p>
<p><b>Revenue-Customs:</b> To support domestic resource mobilization and facilitate trade through improved customs administration management and governance arrangements.</p>	<ul style="list-style-type: none"> <li>• The share of trade controlled progressively through post-clearance audit is trending upwards from [xx to xx]</li> <li>• Cargo clearance times are trending downwards from [xx] to [xx]</li> <li>• XX countries have adopted KPIs , which are being monitored</li> <li>• Customs exemptions are reduced.</li> </ul>	<p><i>Annual reporting on progress through CD-PORT; mid-term evaluation</i></p>	<ul style="list-style-type: none"> <li>• Absorption Capacity - Some administrations, particularly in the smaller states, have difficulty acting on the recommendations made and could be overwhelmed by TA, so the volume of TA and its sequencing and timing are crucial.</li> <li>• Political will – Many of the changes advocated by CARTAC TA require the strong support of government and opposition in order to be effective, and could be a prerequisite to benefit from intensive TA.</li> </ul>

CARTAC STRATEGIC LOGICAL FRAMEWORK

**Strategic Objective:** *"To support inclusive and sustainable economic growth and stability in the Caribbean, through increased fiscal space, financial sector stability and risk mitigation, and enhanced capacity for macroeconomic statistics and analysis, in a responsive and effective manner"*

Regional Program Objective	Verifiable Indicators	Progress on Indicators	Risks, Assumptions and Risk Mitigation
			<ul style="list-style-type: none"> <li>• Sound Management – Management at both senior and middle levels need to have bought into reforms and need to drive those reforms; and be prepared to take corrective action where necessary.</li> <li>• Resistance to Change – many customs officers feel threatened by change and may undermine or even sabotage reform efforts.</li> </ul>
<p><b>Financial Stability:</b> To support countries’ development and implementation of an integrated framework for regulating and supervising the financial sector, and for enhancing overall financial stability.</p>	<ul style="list-style-type: none"> <li>• Central banks are able to identify the main threats to systemic stability on the basis of proven indicators</li> <li>• The CB or the macro-prudential body produces a financial stability report either annually or semi-annually.</li> </ul>	<p><i>Annual reporting on progress through CD-PORT; mid-term evaluation; FSAPs</i></p>	<ul style="list-style-type: none"> <li>• Inadequate human capital in regulatory bodies: Inadequate staff resources, compounded by frequent turnover of staff</li> <li>• Weak database and information architectures:</li> <li>• Lack of confidence to take on board new reforms:</li> </ul>

**CARTAC STRATEGIC LOGICAL FRAMEWORK**

**Strategic Objective: "To support inclusive and sustainable economic growth and stability in the Caribbean, through increased fiscal space, financial sector stability and risk mitigation, and enhanced capacity for macroeconomic statistics and analysis, in a responsive and effective manner"**

<b>Regional Program Objective</b>	<b>Verifiable Indicators</b>	<b>Progress on Indicators</b>	<b>Risks, Assumptions and Risk Mitigation</b>
<p><b>Financial Sector Supervision:</b> Strengthen financial sector regulation, supervision and capital markets, and enhancing supervisory procedures using harmonized approaches based on international standards.</p>	<ul style="list-style-type: none"> <li>• Supervisors fully trained to be able to implement risk-based supervision and other supervisory process.</li> <li>• Supervisory reports focus on key risk aspects of the banking system, and provide appropriate recommendations.</li> <li>• Inspection reports of individual banks are more risk oriented and identify key qualitative and quantitative risks.</li> <li>• Supervisors monitor banking problems and risks and take early action as needed.</li> </ul>	<p><i>Annual reporting on progress through CD-PORT; mid-term evaluation; FSAPs</i></p>	<ul style="list-style-type: none"> <li>• Delays in passage of legislation and regulations</li> <li>• Inadequate Human Capital in Regulatory Bodies</li> <li>• Inadequate Database and Information Systems</li> <li>• Hesitance to engage industry and tendency to “reinvent the wheel” in the development of supervisory guidelines for Basel II implementation</li> </ul>

CARTAC STRATEGIC LOGICAL FRAMEWORK

**Strategic Objective:** *"To support inclusive and sustainable economic growth and stability in the Caribbean, through increased fiscal space, financial sector stability and risk mitigation, and enhanced capacity for macroeconomic statistics and analysis, in a responsive and effective manner"*

Regional Program Objective	Verifiable Indicators	Progress on Indicators	Risks, Assumptions and Risk Mitigation
<p><b>Macroeconomic Programming and Analysis:</b> Sound macroeconomic management through well-functioning institutions.</p>	<ul style="list-style-type: none"> <li>• All active countries have in place a sound medium-term macroeconomic framework</li> <li>• 12 governments have a clear fiscal strategy that underlies the annual Budget.</li> <li>• All active countries have strong institutional structures for macroeconomic policymaking including regular macroeconomic surveillance and research.</li> </ul>	<p><i>Annual reporting on progress through CD-PORT; mid-term evaluation; Art. IVs</i></p>	<ul style="list-style-type: none"> <li>• The small number of policy officials devoted to policy analysis within the region’s policymaking institutions</li> <li>• Therefore, in addition to making the case for greater staffing numbers, training has been customized to individual country needs, including the use of simple, practical analytical tools. Training manuals are emphasized to mitigate the impact of staff turnover. Additionally, the weak use of IT systems hampers effective delivery of TA.</li> <li>• To overcome this issue more time will need to be focused toward creating simple and easy to update databases as well as further training in software such as Excel.</li> </ul>

**CARTAC STRATEGIC LOGICAL FRAMEWORK**

**Strategic Objective: "To support inclusive and sustainable economic growth and stability in the Caribbean, through increased fiscal space, financial sector stability and risk mitigation, and enhanced capacity for macroeconomic statistics and analysis, in a responsive and effective manner"**

<b>Regional Program Objective</b>	<b>Verifiable Indicators</b>	<b>Progress on Indicators</b>	<b>Risks, Assumptions and Risk Mitigation</b>
<p><b>Macroeconomic statistics:</b> Strengthen compilation and dissemination of national accounts, prices, and external sector statistics according to the relevant internationally accepted statistical standard, including developing/improving statistical infrastructure, source data, serviceability and/or metadata..</p>	<ul style="list-style-type: none"> <li>• Annual quarterly national accounts are compiled using the coverage and scope of the latest manual/guide (DQAF 2.2).</li> <li>• Quarterly national accounts are compiled using the coverage and scope of the latest manual/guide (DQAF 2.2).</li> <li>• The Consumer Price Index (CPI) are compiled using appropriate statistical techniques, including dealing with data sources, and/or assessment and validation of intermediate data and statistical outputs (DQAF 3.3 and/or 3.4);</li> <li>• Producer Price Index (PPI) and/or Export and Import Price Indices (XMPPIs) are compiled using appropriate statistical techniques, including dealing with data sources, and/or assessment and validation of intermediate data and statistical outputs (DQAF 3.3 and/or 3.4)</li> <li>• The overall conceptual framework, concepts, and definitions are in broad conformity with the most recent guidelines.</li> <li>• The coverage and scope are broadly consistent with the most recent guidelines.</li> </ul>	<p><i>Annual reporting on progress through CD-PORT; mid-term evaluation; Art. IV Statistical Annexes</i></p>	<ul style="list-style-type: none"> <li>• Insufficient commitment and ownership of the authorities/Ministries of Finance to assign sufficient and qualified resources both human and financial to the different statistical projects; loss of trained staff; lack of effective data coordination and sharing; reluctance to use compliance procedures in order to improve survey responses rates.</li> <li>• Risk mitigation including through focus on multi-year strategic plans.</li> </ul>

**CARTAC STRATEGIC LOGICAL FRAMEWORK**

**Strategic Objective: "To support inclusive and sustainable economic growth and stability in the Caribbean, through increased fiscal space, financial sector stability and risk mitigation, and enhanced capacity for macroeconomic statistics and analysis, in a responsive and effective manner"**

<b>Regional Program Objective</b>	<b>Verifiable Indicators</b>	<b>Progress on Indicators</b>	<b>Risks, Assumptions and Risk Mitigation</b>
	<ul style="list-style-type: none"> <li>• Data are disseminated according to the appropriate dissemination standards.</li> </ul>		
<p><b>CARTAC</b> will support its membership by ensuring timeliness and quality of delivery, as well as responsiveness to regional and national developments.</p>	<ul style="list-style-type: none"> <li>• Annual work plans are delivered in a timely manner</li> <li>• Percentage of outcomes achieved is 80 percent or higher</li> <li>• CARTAC mobilizes resources to address urgent issues in a timely manner</li> <li>• Governance arrangements are effective and efficient.</li> </ul>		<ul style="list-style-type: none"> <li>• Financing for CARTAC is adequate and delivered in a predictable manner</li> <li>• Political commitment to reform and ownership of programs is sufficient</li> <li>• To mitigate these risks, CARTAC will ensure that its TA remains relevant through program design, frequent consultation with key stakeholders and improved communication of CARTAC activities and results among its key stakeholders.</li> </ul>

### Annex VIII. CARTAC Phase V—Indicative Monitoring Matrix

Category	Indicator(s)	Source(s)	Periodicity
<b>Work plan delivery indicators</b>			
1	Rate of expenditure/financial implementation	Work plans, financial systems	Monthly
2	Rate of work plan delivery (FPWs) overall/ by program/country	Work plans, TIMS <sup>1</sup>	Monthly
3	Outreach/visibility activities delivered to plan	Communication Plan	Quarterly (newsletter)
4	Responsiveness of work plan to regional developments	Work plans, TIMS	Annual
5	No. of LTX FPWs/topic/country	Work plans, TIMS	Monthly
6	No. of STX FPW/topic/country	Work plans, TIMS	Monthly
7	No. of seminars/workshops	Work plans	Monthly
8	No. of participant days delivered	CVENT <sup>2</sup>	Ongoing
9	No. of individual participants trained	CVENT	Ongoing
10	Cost per training participant day	Financial systems	Quarterly
<b>TA performance indicators</b>			
11	% of milestones 'on track'	CD-PORT <sup>3</sup>	Ongoing/quarterly report
12	% of outcomes rated as 'achieved' annually	CD-PORT	Ongoing/annually
13	% of respondents satisfied etc. with training	CVENT	Ongoing
14	% of respondents using training in their work	CVENT, follow up surveys	Ongoing/mid-term survey
<b>Selected TA Results Indicators</b>			
<b>General</b>			
15	VAT/GDP	LTX/STX reports/CD-PORT	Ongoing/annually
<b>Macroeconomic Programming and Analysis</b>			
16	No of countries presenting medium term financial outlook	LTX/STX reports/CD-PORT	Annually
17	High frequency monitoring of economic activity through memos/minutes/briefings to Ministry leadership/ Cabinet.	LTX/STX reports/CD-PORT	Annually
18	Government sets at least 3-year medium-term fiscal objectives at the start of the annual Budget process (consistent with debt sustainability and/or external vulnerabilities such as natural disasters) (PI14, i).	LTX/STX reports/CD-PORT	Annually
19	Medium-term macroeconomic assumptions (including GDP growth and inflation) detailed in Budget documentation	LTX/STX reports/CD-PORT	Annually
<b>Public Financial Management</b>			
20	Extent of unreported government operations	CD-PORT	
21	Multi-year fiscal planning, expenditure policy budgeting	LTX/STX reports/CD-PORT	Annually

Category	Indicator(s)	Source(s)	Periodicity
22	Effectiveness of internal audit	LTX/STX reports/CD-PORT	Annually
23	Quality and timeliness of annual financial statements	LTX/STX reports/CD-PORT	Annually
24	Oversight of fiscal risk from other public sector entities	LTX/STX reports/CD-PORT	Annually
25	Large scale PPPs integrated in medium term budget framework	LTX/STX reports/CD-PORT	Annually
26	PPPs are accounted for in government financial statements	LTX/STX reports/CD-PORT	Annually
<b>Revenue—Tax</b>			
27	KPIs are regularly reported and monitored	Survey, CD-PORT	Annually
28	Taxpayer segmentation is legally adopted	LTX/STX reports/CD-PORT	Annually
29	On-time filing ratio improves over time	LTX/STX reports/CD-PORT	Annually
30	On-time payment ratio improves over time	LTX/STX reports/CD-PORT	Annually
31	Taxpayer service satisfaction is measured, improves over time	LTX/STX reports/CD-PORT	Annually
32	Effectiveness of audit trends upwards	LTX/STX reports/CD-PORT	Annually
33	VAT exemptions reduced/eliminated	LTX/STX reports/CD-PORT	Annually
<b>Revenue—Customs</b>			
34	A larger share of trade controlled progressively through Post-Clearance Audit	LTX/STX reports/CD-PORT	Annually
35	Cargo clearance times decrease over time	LTX/STX reports/CD-PORT	Annually
36	CARICOM free trade area in place	LTX/STX reports/CD-PORT	Annually
37	KPIs agreed and monitored	LTX/STX reports/CD-PORT	Annually
38	Customs exemptions are reduced/eliminated	LTX/STX reports/CD-PORT	Annually
<b>Financial Stability</b>			
39	Set of indicators of systemic risk (non-bank sector) with proven ability to flag emerging threats	LTX/STX reports/CD-PORT/ Regional FSAP	Annually
40	Central Bank (CB) is able to identify main threats to systemic stability on the basis of those indicators.	LTX/STX reports/CD-PORT/ Regional FSAP	Annually
41	Stress testing tools are incorporated in CB's supervisory work	LTX/STX reports/CD-PORT/ Regional FSAP	Annually
43	A framework for identifying systemically important financial institutions (SIFIs) is adopted.	LTX/STX reports/CD-PORT/ Regional FSAP	Annually
44	The CB or the macro-prudential body produces a financial stability report either annually or semi-annually.	LTX/STX reports/CD-PORT/ Regional FSAP	Annually
<b>Financial Sector Supervision</b>			

Category	Indicator(s)	Source(s)	Periodicity
45	Guidelines and regulations for risk measurement and management are adopted	LTX/STX reports/CD-PORT/FSAPs	Annually
46	Supervisors assess whether regulations and guidelines on risk measurement and management are being applied by banks and non-banks.	LTX/STX reports/CD-PORT/FSAPs	Annually
47	Supervisors fully trained to be able to implement risk-based supervision and other supervisory process for banks and non-banks.	LTX/STX reports/CD-PORT	Annually
<b>Macroeconomic Statistics</b>			
48	Annual value added and GDP at current and constant prices by activity (rebased);	LTX/STX reports/CD-PORT	Annually
49	Annual expenditures of GDP at current and constant prices;	LTX/STX reports/CD-PORT	Annually
50	CPI/PPI/XMPI are compiled using appropriate statistical techniques, including dealing with data sources, and/or assessment and validation of intermediate data and statistical outputs	LTX/STX reports/CD-PORT/Art. IV	Annually
51	BOP and IIP statistics are compiled and disseminated using the latest international standards (BPM6)	LTX/STX reports/CD-PORT/Art. IV	Annually
52	Other ESS data sets (CPIS, CDIS, or/and EDS are compiled and disseminated using the latest international standards (BPM6)	LTX/STX reports/CD-PORT/Art. IV	Annually
<b>Other</b>			
<i>Transparency</i>			
53	Publication of Medium Term Fiscal Frameworks	Media	Annually
54	Publication of Annual Budget	Media	Annually
55	Publication of PEFA's	PEFA Secretariat/Media	Annually
<i>Gender</i>			
56	Gender dimension reflected in program budgeting	LTX/STX reports	Annually
<i>Environment</i>			
57	Government sets at least 3-year medium-term fiscal objectives at the start of the annual Budget process (consistent with debt sustainability and/or external vulnerabilities such as natural disasters) (PI14, i).	LTX/STX reports/Art. IV	Annually
55	TA in energy pricing (as requested)	Work plan; LTX/STX reports	As requested
1/ IMF's Travel Information Management System (TIMS).			
2/ CVENT is an online survey and e-marketing tool used the IMF.			
3/ The IMF's capacity development portal (CD-PORT).			