

PROGRAM DOCUMENT

December 2010



CARIBBEAN REGIONAL TECHNICAL ASSISTANCE CENTER (CARTAC)





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(CARTAC)**

"We very much appreciate CARTAC's quick response and strong support for this important exercise" Chief Economist, Alvin Hilaire, Central Bank of Trinidad and Tobago

**PROGRAM DOCUMENT
(DECEMBER 2010)**

Executive Summary

CARTAC—Supporting economic performance in the Caribbean by strengthening capacity¹

The Barbados-based Caribbean Regional Technical Assistance Center (CARTAC) began operations in 2001. CARTAC provides technical assistance (TA) in economic and financial management to 20 countries and territories (further referred to as “countries”) in the region.

CARTAC aims to assist member countries in building technical capacity to strengthen tax and customs administration, public financial management, financial sector and capital markets regulation and supervision, economic statistics and macroeconomic analysis.

The work of the Centre is implemented by a core team of advisors, complemented by the activities of short-term experts, regional seminars, internships and attachments of officials to partner institutions in the region and abroad. CARTAC works in close collaboration with other development institutions, TA agencies, and regional organizations, supporting regional harmonization, the CARICOM Single Market & Economy initiative, and the creation of a fully-fledged economic and monetary union in the Eastern Caribbean (OECES).

CARTAC is funded jointly by a range of contributors, including donor institutions, member countries and multilateral organizations. Financing consists of cash contributions from donors and recipients and in-kind contributions from the host Barbados. Authority for the strategic direction of the Centre rests with the Steering Committee, which comprises representatives of member countries and donors.

The CARTAC Phase IV will be administered and executed by the IMF, and a CARTAC trust fund will be established to manage and monitor the financing of the Center. In line with IMF policy², the IMF will recover backstopping as well as project and trust fund management costs, which in total, are estimated at about 13.5 percent of total costs. The Fund will charge for the actual costs and any unspent balances on backstopping and project management will be applied to increase the CARTAC workplan.

This document describes proposed activities for CARTAC during Phase IV, covering the period 2011-15. Despite its close to decade existence, CARTAC remains a much needed resource in the Caribbean based on recent surveys of TA needs. This document outlines the broad strategy for achieving its goals and the future direction of CARTAC’s focus over the next five years. Given the demand-driven nature of CARTAC’s TA, this strategy builds on an assessment of high priority needs conducted in 2010 for the next cycle. A budget scenario of US\$62.2 million is presented consistent with the envisaged scope of activity during this phase and potential donor financing.

¹ The Caribbean region refers in this context to the 20 countries and territories served by CARTAC, namely: Anguilla, Antigua and Barbuda, The Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman

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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.

² 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 Acronyms

ASYCUDA	Automated System for Customs Data
BAICO	British American Insurance Company
BOP	Balance of payments
CAIR	Caribbean Association of Insurance Regulators
CAPFA	Caribbean Public Finance Association
CAPS	Caribbean Association of Pension Fund Supervisors
CARICOM	Caribbean Community
CARICAD	Caribbean Centre for Development Administration
CAROSAI	Caribbean Organization of Supreme Audit Institutions
CARTAC	Caribbean Regional Technical Assistance Centre
CCCU	Caribbean Conference of Credit Unions
CCLEC	Caribbean Customs Law Enforcement Council
CCMF	Caribbean Centre for Money and Finance
CDB	Caribbean Development Bank
CDIS	Coordinated Direct Investment Survey
CEMLA	Centre for Monetary Studies of Latin America and the Caribbean
CET	Common External Tariff
CFATF	Caribbean Financial Action Task Force
CGBS	Caribbean Group of Banking Supervisors
CGSR	Caribbean Group of Securities Regulators
CIAT	Inter-American Centre of Tax Administrations
CIDA	Canadian International Development Agency
CMD	Capital Markets Development
COMSEC	Commonwealth Secretariat
CPEC	Caribbean Regional HRD Program for Economic Competitiveness
CPI	Consumer Price Index
CPIS	Coordinated Portfolio Investment Survey
CRNM	Caribbean Regional Negotiating Machinery
CS	Commonwealth Secretariat
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
CSME	Caribbean Single Market & Economy
DFID	Department for International Development, United Kingdom
DSAs	Debt Sustainability Analysis
EC	European Commission
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
ECEMP	Eastern Caribbean Economic Management program
ECLAC	Economic Commission for Latin America and the Caribbean (sub-regional headquarters for the Caribbean located in Trinidad)
ECSRC	Eastern Caribbean Securities Regulatory Commission
EU	European Union
EUROSTAT	Statistical Office of the European Union

EUROTRACE	System comprising software and training for compiling external trade statistics, with a national module for countries that have introduced ASYCUDA
FAD	Fiscal Affairs Department, IMF
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
FSAP	Financial Sector Assessment Program
FSI	Financial Soundness Indicator
FSS	Financial Sector Supervision
FTAA	Free Trade Agreement of the Americas
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
GFS	Government Finance Statistics
HES	Household Expenditure Surveys
HIPC	Highly Indebted Poor Country
HQ	Headquarters
IAIS	International Association of Insurance Supervisors
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IFMIS	Integrated Financial Management Information System
IFSA	International Financial Services Authority
IIP	International Investment Position
ILO	International Labour Organization
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
IPSAS	International Public Sector Accounting Standards
LEG	Legal Department, IMF
MAC	Macro-economic programming
MFM	Macro-fiscal Management
MDG	Millennium Development Goals
MoF	Ministry of Finance
MTFF	Medium-Term Fiscal Framework
MTR	Mid-Term Evaluation
OECS	Organisation of Eastern Caribbean States
OTM	Office of Technical Assistance Management, IMF
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PPI	Producer Price Index
PRSP	Poverty Reduction Strategy Paper
PS	Permanent Secretary
PSIP	Public Sector Investment program
PU	Policy Unit
RIO/CXN	Regional Integration of Operations and Caribbean Exchange Network
RAP	Resource Allocation Plan
RBM	Results Based Management

RSN	Regional Strategy Note
RTAC	Regional TA Center
SEMCAR	Strategic Economic Management of the Caribbean
SC	Steering Committee
SCCS	Standing Committee of Caribbean Statisticians (CARICOM)
SDDS	Special Data Dissemination Standard
SIGTAS	Standard Integrated Government Tax Administration System
SNA	System of National Accounts
SOE	State Owned Enterprise
SVG	St. Vincent and the Grenadines
TA	Technical Assistance
UNDP	United Nations Development Program
USSEC	United States Securities and Exchange Commission
VAT	Value-Added Tax
WB	World Bank
WHD	Western Hemisphere Department, IMF
WTO	World Trade Organisation
XMPI	Export and import price indexes

I. CARTAC'S ACHIEVEMENTS SO FAR

A. What Does CARTAC Do?

1. **CARTAC is one of the International Monetary Fund's (IMF's) seven regional technical assistance (TA) centers (RTACs), a model of TA delivery launched by the IMF in 1992 in the Pacific Region.** The RTACs are a collaborative venture between the IMF, the recipient countries, bilateral and multilateral donors. The Centers' strategic goal is to strengthen, in the IMF's core areas of competence, the institutional capacity of RTAC recipient countries to design and implement sound macroeconomic and financial policies and make progress in their poverty-reducing strategies and toward achieving the Millennium Development Goals (MDGs). Through CARTAC, the IMF has been able to substantially increase its Technical Assistance to 20 beneficiary countries and territories in the Caribbean.³

2. **With CARTAC, the IMF combines strategic TA advice from its Headquarters (HQ) with local expertise and on-the-ground capacity building.** CARTAC is guided by a Steering Committee (SC) that consists of representatives from recipient countries, CARICOM Secretariat, donors and the IMF, facilitating a coordinated design, implementation, and monitoring of TA programs.⁴ Broad TA needs are identified and work plans are prepared in conjunction with the SC, alongside the area and TA Departments at IMF HQ, complemented by a bottom up exercise to establish detailed work plans involving the center's advisors, country authorities, Western Hemisphere Department (WHD) country teams and the respective TA departments at IMF HQ. All TA is integrated into the core lending and surveillance operations of the IMF, as well as coordinated with that of other providers. Backstopped and supported by the experts and services of IMF HQ, the RTACs are becoming an increasingly important way of delivering effective, efficient and responsive IMF TA.

3. **CARTAC, which was established in 2001, delivers capacity-building TA in its areas of expertise to 20 countries in the Caribbean: Anguilla, Antigua and Barbuda, Barbados, The Bahamas, 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 the Turks and Caicos.** Since inception, the bulk of the financing for CARTAC's activities originates from Canada (60 percent of the total in Phase III). Other

³ The 20 countries and territories are further referred to as "countries".

⁴ Representatives of the Eastern Caribbean Economic Management program (ECEMP)/ Strategic Economic Management of the Caribbean (SEMCAR), the Organization of Eastern Caribbean States (OECS) Secretariat and Caribbean Centre for Development Administration (CARICAD) are observers in the SC.

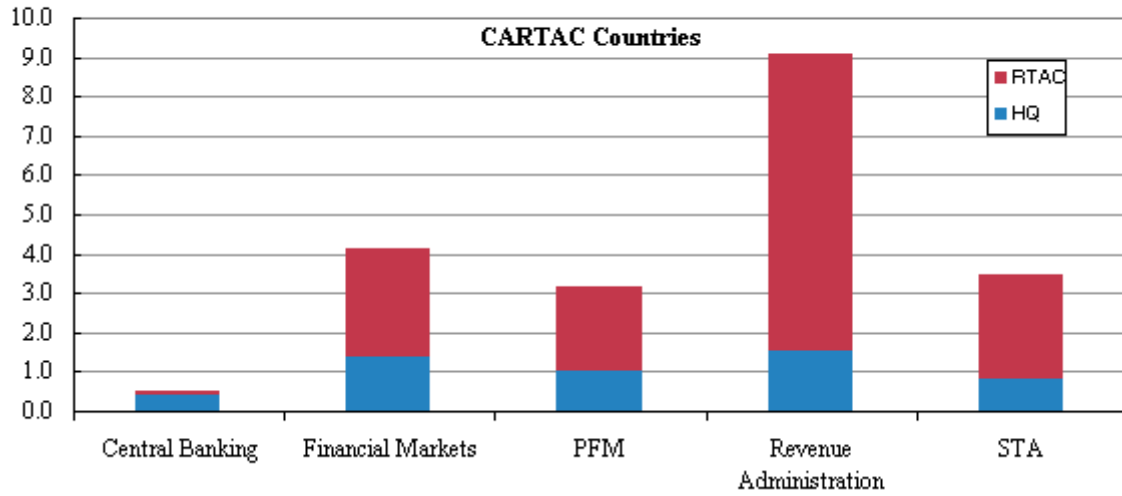
contributors over the three-year period include the UK Department of International Development (DFID), the European Commission, the Caribbean Development Bank (CDB), the Inter-American Development Bank (IDB), and member states. The host country, Barbados provides additional in-kind contributions to defray part of the local costs, complemented by the IMF.

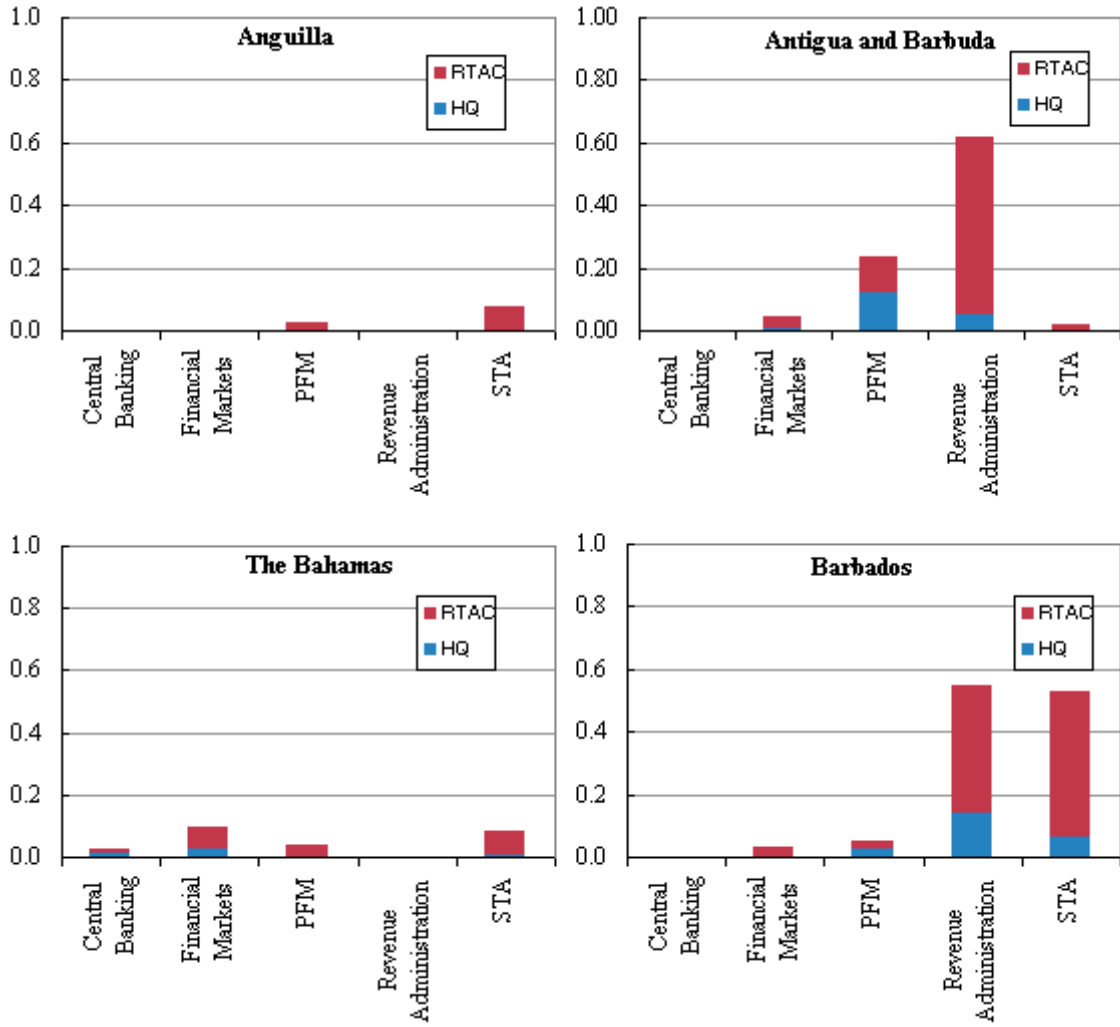
4. **CARTAC is managed by a Center Coordinator and TA is provided by advisors with substantial expertise in their respective sectors.** CARTAC has ten resident advisors: Three advisors work in revenue administration, one each in public financial management, capital markets development, financial sector regulation and supervision, macroeconomic management, macro-fiscal management, and two in economic statistics (national accounts and price statistics).⁵ Resident advisors are based in Barbados; they travel extensively throughout the region, which allows them to develop rapport with country authorities and familiarity with national and regional contexts and needs. The skill mix of the advisors reflects the priority needs of the beneficiary countries. In addition, CARTAC deploys short-term experts to deliver targeted TA in areas of specific expertise not covered by the resident advisors or to complement the volume of TA. CARTAC⁶ also provides seminars and workshops, both at the national level and regionally, collaborating - where possible - with regional institutions and the IMF Institute. Professional attachments and internships continue to be another vehicle for cross fertilization of expertise in the region and will remain important sub-components across all technical areas.

⁵ Starting in mid-2011, CARTAC will have a balance of payments statistics advisor and no longer a price statistics advisor.

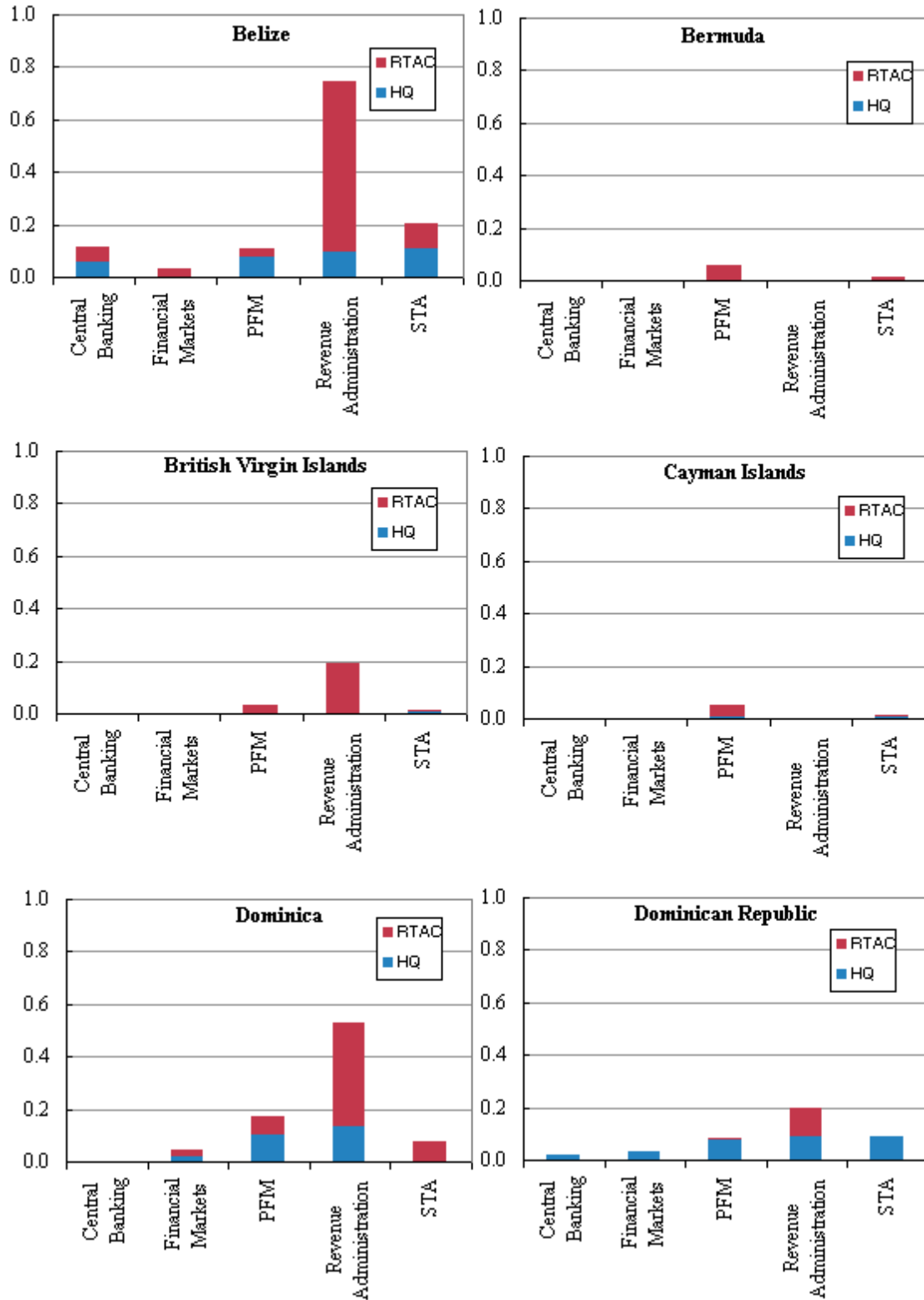
⁶ CARTAC has developed training manuals across several work areas that were used extensively in these courses.

IMF TA delivery to CARTAC Countries, 2007-2009
(in person years (equal to about 260 working days); 3 year average)

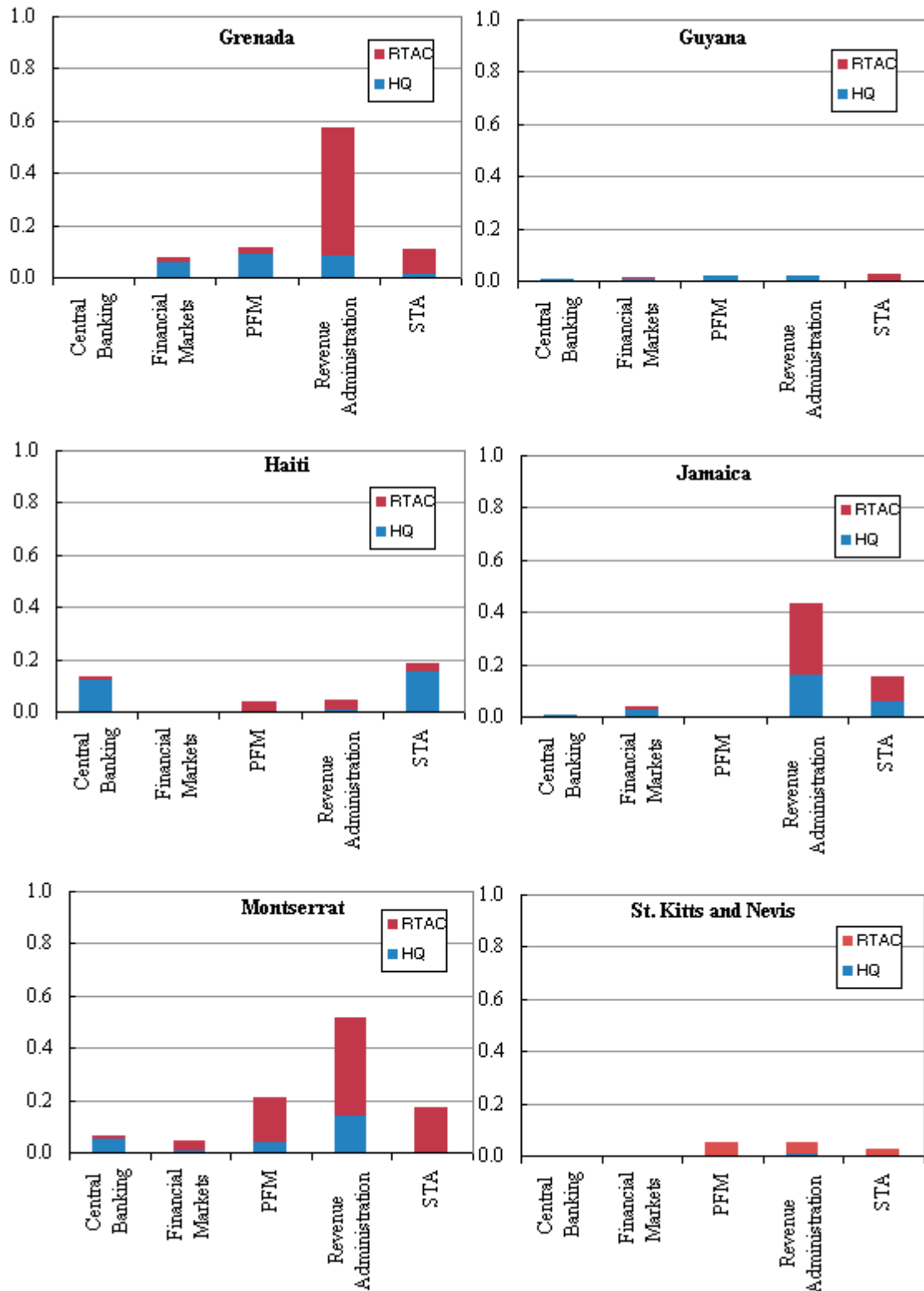




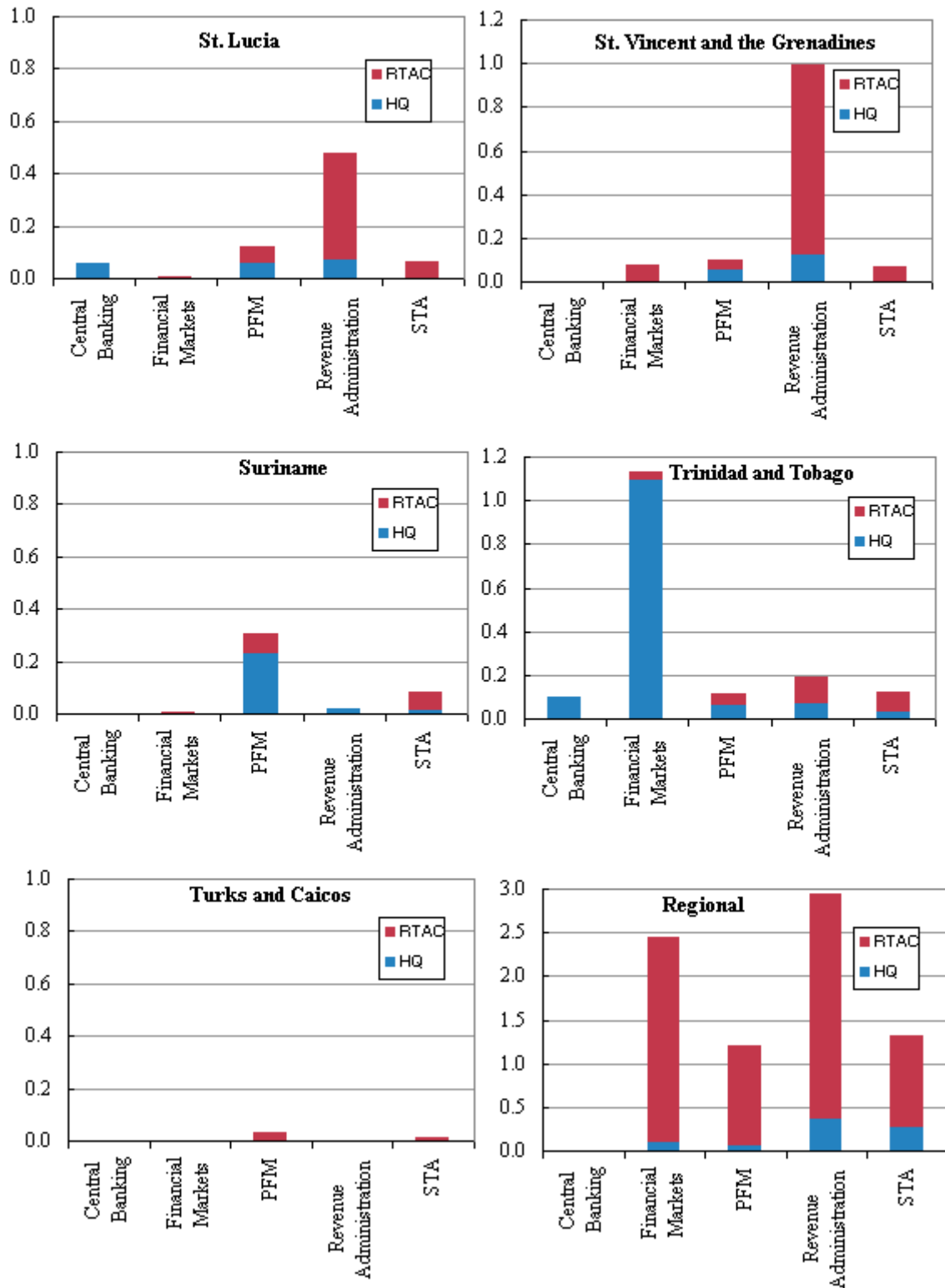
IMF TA delivery to CARTAC Countries, 2007-2009
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IMF TA delivery to CARTAC Countries, 2007-2009
(in person years (equal to about 260 working days); 3 year average)



B. CARTAC's Results in Recipient Countries⁷

5. **CARTAC's TA is delivered through a variety of approaches** – advisory and diagnostic missions, hands-on training, seminars, professional attachments, thematic peripatetic support, issue-oriented, short-term technical missions, and policy and program development support. This section highlights some major accomplishments under Phase III (2008-2010) in selected areas.

6. **Reform of the indirect tax system in five countries –Antigua and Barbuda, Belize, Dominica, Grenada and St. Vincent and the Grenadines** all introduced simpler and more efficient broad-based value-added taxes (VAT) and excise tax systems. CARTAC assisted with the preparation of detailed VAT implementation plans and provided hands-on TA to strengthen the capacity of project teams and VAT staff in these countries. CARTAC is currently supporting similar reforms in **St. Kitts and Nevis, and St. Lucia. Result: higher revenue to GDP ratio in those countries where the new systems have been introduced.**

7. **Customs modernization in six countries –Belize, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines.** CARTAC assisted with the upgrading of customs systems and procedures. These administrations now use risk management approaches consistent with World Customs Organization norms to select transactions for verification. **Result: Improved trade facilitation.**

8. **CARTAC facilitated the decision of nine countries to adopt VATs.** Subsequently, CARTAC provided significant TA to build capacity to seven of these in order to build capacity within the VAT implementation teams in **Dominica, Belize, Antigua and Barbuda, St. Vincent and the Grenadines, Grenada, St. Kitts and Nevis and St. Lucia (the latter two have yet to implement VAT). Results: higher revenues, more efficient tax collection where VAT has been introduced.**

9. **For Anguilla and St Kitts and Nevis, developed a practical cash management model to support daily, weekly and monthly reporting on the cash position of the government.** The reports from the model are used by the government's liquidity committee to inform key decisions regarding future cashflows. **Result: improved cash management.**

10. **For St Vincent and the Grenadines, developed an automated bank reconciliation process, eliminating cumbersome manual processes.** The process identified a range of transactions where the accounting treatment was incorrect. **Result: an improvement in the quality of accounting and financial reporting.**

⁷ See Appendix I on outcomes supported by CARTAC

11. **For Anguilla, provided advice regarding the adoption of the International Public Sector Accounting Standard on a Cash Basis.** In 2009, Anguilla presented its 2008 annual financial statement in accordance with IPSAS. **Result: adoption of international best practice.**

12. **Built from ground zero insurance supervisory expertise in ten countries—Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.** This included (1) passage of harmonized Insurance Acts in these countries, (2) the design, training in, and implementation of regulatory reporting forms for insurance companies, and (3) classroom and one-on-one training in off-site supervision and on-site examinations of insurance companies. **Results:** (i) closure of insurance companies failing to comply with regulatory standards, (ii) corrective action taken for those insurance companies with weaknesses that are resolvable in the short-term, and (iii) the cessation of business activities that are not compatible with permissible activities of insurance companies. In the case of the latter, certain insurance companies were issuing instruments that had strong deposit characteristics; the insurance supervisors stopped this impermissible activity. **Result: stronger financial soundness in insurance companies.**

13. **Law for St. Kitts and Nevis that established a single regulatory unit for non-banks (“The St. Kitts and Nevis Financial Services Commission”).** The government passed the law in late 2009. The results of the passage of this law was to bring the supervision of all non-banks under one regulatory authority, to strengthen the enforcement action of the regulators, to establish permissible non-banking activities, and to set forth exit of market requirements for problem non-banks. The results are that the authorities are in the process of reviewing financial data on all non-banks for compliance with laws and regulations in order to identify potentially weak non-bank financial institutions and to initiate corrective action. In addition, the authorities are developing regulations to provide further clarification of the requirements under the law. **Result: improved financial soundness of non-banks.**

14. **With the Central Bank of Trinidad and Tobago, CARTAC developed a consistent liabilities valuation methodology for the insurance industry,** instituted a capital adequacy framework for insurance companies, and built an insurance actuarial infrastructure to ensure consistent insurance regulatory reporting for the insurance supervisors. The results of this project are that insurance companies are now required to value their liabilities in accordance with international standards so that the true level of capital and capital adequacy can be assessed; in essence, this eliminated the use of valuation methods that put the insurance company in the best light, allowing the insurance to hold less capital. Insurance examiners have been enabled with specific training to ensure that insurance companies are valuing liabilities in compliance with the required new standard. This will increase the ability of the insurance supervisors to assess

the capital adequacy of insurance companies operating in Trinidad and Tobago. **Result: improved financial soundness in insurance sector.**

15. **Created bank stress-testing models for banking supervisors in Guyana, The Bahamas, the Eastern Caribbean Central Bank (ECCU), and Trinidad and Tobago.** These models subject each bank and the banking system to various macro-economic stresses to determine the impact on capital. The results of the stress-testing assisted the authorities in identifying (1) weak banks in the system and (2) areas of high risk-taking in a bank or in the banking system. The results of the project are that the authorities now have a tool to identify higher risks banks in the system, and the authorities are directing more supervisory resources to these identified higher risks banks with the goal of reducing the risks in these banks. For Trinidad and Tobago, the results of the stress-testing project will be published in the annual Financial Stability Report. **Result: lower systemic risks in financial system.**

16. **Enhanced the supervision of credit unions in The Bahamas** through training in on-site examinations, off-site monitoring, and statistical comparisons among credit unions. The results are that the authorities have identified, through statistical comparisons, potential problem credit unions and are engaging in on-site examinations of these credit unions to confirm their off-site findings. Resolution strategies for the problem institutions are being discussed. **Result: lower risk of credit union failure.**

17. **Reinvigorated the Caribbean Association of Insurance Regulators (CAIR) and created a Caribbean Association of Pension Fund Supervisors (CAPS)** to serve as the capacity building body for insurance supervision and pension funds supervision. These groups are modeled after the Caribbean Group of Banking Supervisors, which identifies training needs for banking supervisors and arranges for the training to be provided. The groups also take on the harmonization of regulation, supervisory practices and policies in the Caribbean region. For example, CAIR is developing, with the assistance of its members, a consistent actuarial valuation methodology for the Caribbean region. The results have been that CAIR, with support from CARTAC, surveyed its member countries to identify and prioritize its training needs, provided the International Association of Insurance Supervisors self-training modules to all CARTAC member countries, began three training workshops per year based on the needs assessment survey, and established a **College of Regulators** to discuss annually cross-border issues with large insurance companies operating throughout the Caribbean region. **Results: cross border supervision of insurance sector, harmonization of regulations in the region.**

18. **For Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, CARTAC helped develop regulatory reporting forms for all non-banking sectors.** These include regulatory reporting forms for credit unions, insurance companies, off-shore banks,

money services businesses, trust companies, mutual fund companies, and other depository institutions. The forms were officially distributed on March 31, 2010 to the non-bank financial institutions. **Result: supervisors have financial information on all non-banks to allow for off-site supervision and risk-profiling for on-site examinations.**

19. **For Belize, the Eastern Caribbean Central Bank, and Guyana, developed a regulation for a Market Risk Capital Charge** and engaged in training on market risk and its impact on capital. This project brings these three countries into compliance with one of the provisions of the Basel Core Principles for Effective Banking Supervision. The results are that the banking supervisor can identify areas of high market risks in a particular bank and require that that bank hold extra capital to compensate for the market risk. As capital is more effectively measured in relation to risks, the more safe and sound is the bank. **Result: lower risk in financial sector.**

20. **Rebased national accounts statistics to a recent base year.** With the Eastern Caribbean Central Bank, CARTAC worked to rebase the national accounts series from 1990 to 2006 in the eight ECCU countries. CARTAC also worked with Guyana to rebase their national accounts series from 1988 to 2006. The resulting series improved the national accounts through better data sources and application of improved statistical methodologies. Policy makers have much improved measures of output and growth to use in economic and social policy decisions. **Result: better data for policymaking.**

21. **Revised consumer price indexes to more current market baskets.** CARTAC has also worked with Jamaica, the Bahamas, Belize, Antigua and Barbuda, Anguilla, Grenada, St. Kitts and Nevis, and St. Vincent and the Grenadines to introduce new CPI market baskets and revised CPIs. The revised CPI uses more up-to-date market baskets and improved methodologies to provide more accurate measures of inflation. **Result: better measure of inflation.**

C. External Evaluation of CARTAC

22. **The 2009 Mid-Term Evaluation (MTR) was completed in October 2009 and the major recommendations are summarized in Box 1.** While the evaluation was generally very positive, indicating that CARTAC's role in the Caribbean continues to be highly regarded and relevant, a number of recommendations were proposed which could enhance the effectiveness of CARTAC. In light of the still large TA needs in the region, the MTR recommended that CARTAC be extended for a fourth phase. The recommendations are addressed as follows:

23. **Recommendation 1: Reporting requirements to IMF should be rationalized to reduce burden on CARTAC.** While CARTAC complies with IMF reporting requirements, especially with respect to backstopping departments, other agency

reporting requirements (including for example, log frames for specific donors) have become significant in terms of frequency and requests for monitoring. The evaluators saw a need to reduce this burden on CARTAC staff.

Action: This recommendation is addressed through several avenues:

- The IMF is revamping its reporting requirements for its six other Regional Technical Assistance Centers (RTAC) to streamline and make it more transparent (Box 1). This includes a reduction in reporting requirements to backstopping departments, such as requiring written reports on a quarterly rather than monthly basis.
- The IMF is developing a Results-Based Management (RBM) framework for RTACs that is simple enough to be easily implemented, while tailored and meaningful for RTAC stakeholders. The IMF is already moving toward a RBM in response to previous evaluations,⁸ but it has been difficult to make this framework operational for the RTACs.⁹ The aim of the framework is to take the centers to a stage where they can efficiently report results to their SCs on their activities, clearly distinguishing between inputs and outputs, which are under the control of the RTAC, and outcomes and objectives, which are under the control of the authorities. Aligned with HQ TA, where the implementation of the RBM is more advanced, the framework would be, where appropriate, embedded also in broader initiatives, such as *Public Expenditure and Financial Accountability* (PEFA). The RBM framework would also inform the center's work plans and allow standardized monitoring across RTACs while being responsive to the wishes of the SC. Pilots are underway with selected RTACs, which also involve the SC and core donors to these centers.
- By managing CARTAC's financials as any of the other RTACs with the IMF assuming administrative, reporting and consular activities (see also recommendations 12–14), reporting requirements will be reduced substantially.

⁸ See *Enhancing the Impact of Fund Technical Assistance* (<http://www.imf.org/external/np/pp/eng/2008/040308a.pdf>).

⁹ All Fund TA is managed on an RBM framework using the *Technical Assistance Management Information System* (TAIMS). The framework for RTACs would be set at a conceptually higher level than TAIMS, which is primarily a mission/project system.

Box 1. The IMF's Management of its RTACs

The IMF currently has seven Regional Technical Assistance Centers—CARTAC in the Caribbean, CAPTAC-DR in Central America, three AFRITACs in Africa, METAC in the Middle East and PFTAC and the Pacific; three more centers are at a planning stage—two in Africa and one in Central Asia.

All RTACs have:

- **The same governance structure.** Steering Committees (SCs), consisting of representatives of recipient countries, donors and the IMF give strategic guidance to the center, assist in setting its priorities, provide input on the topics to be covered by the team of resident and short-term advisors, and endorse the center's workplan. The SCs' involvement in the center varies across regions and is tailored to best serve its constituents.
- **The same operational structure.** The center coordinator is responsible for the day-to-day management and its operations, under the strategic guidance from the SC and general oversight from the IMF. In consultation with the SC and IMF HQ, the coordinator formulates the center's work plan and monitors its implementation. The coordinator also serves as secretary to the SC. RTAC staff comprise a number of resident advisors and administrative staff. Short-term experts for peripatetic assignments are recruited through IMF HQ, based on a roster of qualified experts, and are backstopped by the resident advisors or Fund HQ.

The financial management of the RTACs is being unified. Existing RTACs are moved with their new funding cycles to the Fund's new external financing instrument (<http://www.imf.org/external/np/pp/eng/2009/030409.pdf>) and new RTACs start on this instrument. The financing instrument is based on a new TA costing model, which identifies all actual costs related to a TA intervention and thus provides accountability and incentives to minimize costs. CAPTAC-DR, AFRITACs East and West, and METAC are already administered under the new instrument; all other RTACs (including CARTAC) are expected to follow within the next year.

24. **Recommendation 2: Country Strategy Meetings should be formalized** and followed by a clear process for resident advisers to integrate the outcomes into their respective workplans.

Action: CARTAC began a process of country strategy meetings in 2008 as a vehicle to discuss a TA strategy with individual countries in order to assess needs as well as avoid

overburdening countries with overlapping TA missions. These meetings have proven useful and, as recommended by the evaluators, CARTAC sees merit in formalizing these strategy sessions and reporting on the results of the meetings in a formal sense; the reports will be made available on CARTAC's website.

25. **Recommendation 3: A Country Level Window should be created on CARTAC's website** to summarize what CARTAC is doing and planning for each member and include the country strategy meetings summary.

Action: This recommendation is being considered with a review of what is needed to make this operational and any costs associated with it. If feasible, CARTAC will aim to have this addition to the website available in early 2011.

26. **Recommendation 4: CARTAC's website should be updated to reflect its core mission and objectives.**

Action: This is being explored and should be made available along with other recommended changes to the website in early 2011.

27. **Recommendation 5: CARTAC should ensure that TA focuses on Haiti.**

Action: CARTAC has discussed this recommendation both internally and with the SC. The view remains that no special attempt will be made to intensify TA efforts in Haiti given CARTAC's limited resources and given the availability of TA by a host of other providers with significant allocations for Haiti. However, Haiti will continue to receive priority based on their requests for TA consistent with CARTAC's mandate and areas of expertise and subject to financing constraints. Significantly, CARTAC was among the first responders to field TA missions to Haiti following the January 12, 2010 earthquake in two areas, revenue administration and macro-fiscal management. The IMF is also exploring with donors to step up its TA through resident advisors stationed in Haiti or intense peripatetic assignments.

28. **Recommendation 6: CARTAC should consider a more equitable approach to cost recovery for TA delivery in middle-income countries, including charging and/or larger annual contributions.**

Action: CARTAC does not intend to introduce any mandatory cost recovery measures outside of an IMF-wide initiative to do so. The IMF intends to implement a new policy for country contributions for capacity building (technical assistance and training). A country contributions policy was implemented with regard to training from May 1, 2009, but its application to TA has been suspended from January 1, 2010 until May 2011. Under that initiative, CARTAC, as externally financed, would be exempt from charging.

29. **Recommendation 7 : There should be an exit strategy for CARTAC in terms of donor support.** CARTAC may progressively become a regionally owned organization in the longer term.

Action: Given the capacity needs and budget constraints existing in most, if not all, CARTAC member states, it is premature to discuss an exit strategy for CARTAC. What may be more appropriate at this time is to envisage a scenario where member states contribute more resources to CARTAC's funding base on a gradual basis.¹⁰ Voluntary contributions from CARTAC members in Phase IV will be at the following levels: \$20,000 (2011), \$50,000 (2012), \$80,000 (2013), \$100,000 (2014), \$100,000 (2015). In total, USD7 million will be contributed by member countries to the CARTAC budget (see also paragraph 150).¹¹ This is in line with other RTACs, where member countries contribute at least 5 percent of the total budget.

30. **Recommendation 8: There should be an extension into Phase IV.**

Action: This is proposed in this document.

31. **Recommendation 9: The Steering Committee (SC) should consider the following:**

- Ensuring that donors do not swamp meetings;
- Implementing incremental improvements to reporting formats and document sharing in order to increase the accessibility of information;
- Encouraging networking between Steering Committee members;
- Minute taking is formalized with draft minutes released for comment by Steering Committee members/ attendees and revised prior to finalization as a record of the meeting.

Action: With respect to the suggestions for improving the SC dynamics through mentoring, reports of the meetings and limiting representation by donors, CARTAC will seek to implement changes within its control (e.g., minutes of meetings). It is up to the SC to decide whether to limit the number of participants to meetings.

¹⁰ Trinidad and Tobago has been approached several times during Phase III to consider making a significant one-time contribution.

¹¹ For all new RTACs and RTACs moving to new funding cycles, the IMF encourages beneficiary countries to pay at least 5 percent of the cost of the center. For some RTACs, beneficiaries pay substantially more.

32. **Recommendation 10: CARTAC should adopt a basic performance management reporting** structure that aligns activities to the goal and program objectives.

Action: In line with ongoing changes at the IMF with respect to reporting of RTACs, CARTAC will produce performance based-reports that can be easily accessible to all stakeholders and tailored to CARTAC's needs, demonstrating the breadth and depth of impact CARTAC TA is having on member states.

33. **Recommendation 11: CARTAC's financial reporting and management information should be modernized.**

Action: This will be done with CARTAC's new cycle.

34. **Recommendations 12, 13 and 14: CARTAC should assume all administrative, reporting and consular activities currently undertaken by the UNDP** at the commencement of Phase IV. A portion of the existing management fee could be considered to cover increased administrative and management costs. The bulk should be applied to more TA in the region. The UNDP continues to engage with CARTAC on the steering committee.

Action: This is proposed in this document. CARTAC will have no difficulty taking over the administrative responsibilities previously carried out by UNDP. The UNDP has a vital role to play in terms of its development agenda¹² and CARTAC looks forward to continued collaboration in this regard with the UNDP team as an observer to the SC.

¹² CARTAC is a member of the UNDP's ECCU Donor Coordination.

II. HOW CARTAC WOULD HELP THE REGION ADDRESS ITS MACROECONOMIC AND FINANCIAL CHALLENGES

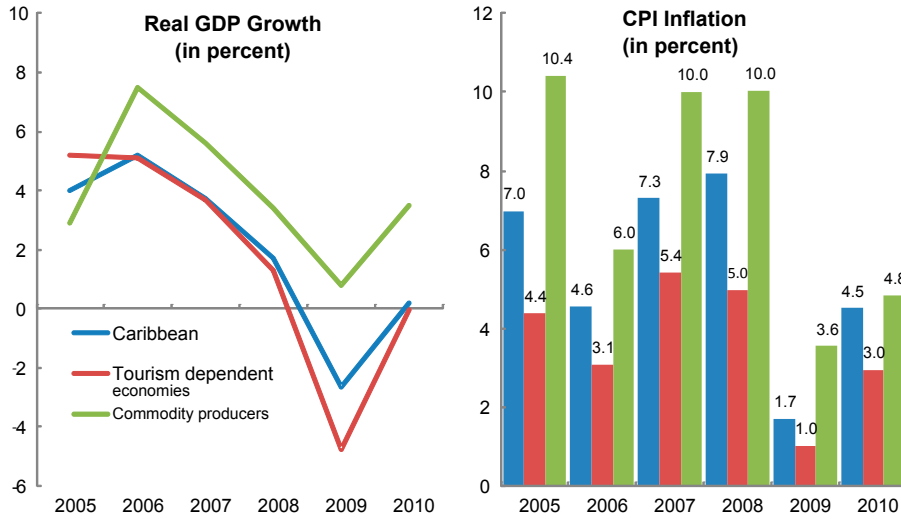
A. Where Does the Region Stand Now?

35. **The global economic and financial crisis has hit most Caribbean countries hard bringing to the fore existing weaknesses in policy frameworks and institutions.** Therefore, over the next years, the challenge for CARTAC countries will be to continue reducing vulnerabilities, while at the same time improving the region's growth potential and the living standards of all citizens. CARTAC countries are members of the Caribbean Community (CARICOM). Also, a subset of eight CARICOM countries is part of the Eastern Caribbean Currency Union (ECCU).¹³

36. **As a result of the global economic and financial crisis, real GDP growth declined in most countries,** as the region's main sources of foreign exchange and growth—tourism, remittances and FDI inflows—were directly affected by the slowdown in advanced countries, most notably the U.S. and other OECD countries. Average real GDP growth in the region declined from 2 percent in 2008 to -2.2 percent in 2009, with the ECCU countries facing the steepest decline. There were also some exceptions - Guyana and Suriname - both commodity exporters, which benefited from the rise in commodity prices and reported positive growth.

¹³ The ECCU comprises Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Lucia, St. Kitts and Nevis, and St. Vincent and the Grenadines.

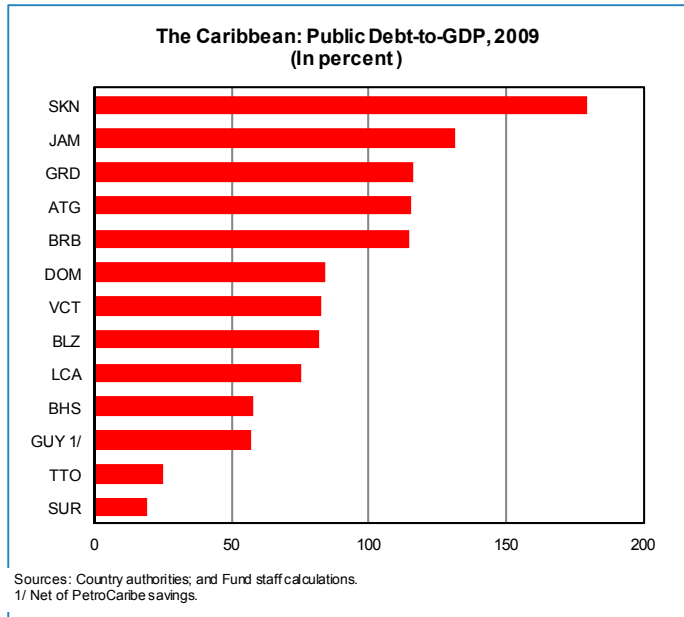
Caribbean: Growth and Inflation, 2005-2010



Source: Country authorities and IMF staff calculations.
 Caribbean: simple average of The Bahamas, Barbados, Belize, ECCU, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago.
 Tourism dependent economies: simple average of The Bahamas, Barbados, ECCU, and Jamaica.
 Commodity producers: simple average of Guyana, Suriname and Trinidad & Tobago.

37. **The impact was particularly pronounced in the case of most tourism-dependent economies.** With the exception of Jamaica and the Dominican Republic, arrivals declined by double-digit rates in most countries. Longer-term investments in the form of vacation real estates and other forms of tourism fell concomitantly with short-term vacation arrivals, as household wealth declined in the aftermath of the financial crisis. FDI fell sharply to 10 percent of GDP in 2009 compared to more than 16 percent of GDP in 2008.

38. **The economic downturn has resulted in a significant fiscal deterioration in most countries of the region.** Already starting from relatively weak fiscal positions and high debt levels, fiscal positions deteriorated significantly in 2009 in most countries, on account of a sharp cyclical reduction in revenue, and, in some cases, the



implementation of tax relief measures and/or increased spending. As a result, debt levels increased by 12 percent of GDP between 2007 and 2009—with St. Kitts and Nevis reaching debt levels close to 190 percent of GDP. Some countries with high debt burdens have already started to take measures to moderate the weakening in their fiscal stance (for example, Grenada, Jamaica, and Antigua & Barbuda) and preserve sustainability, but fiscal consolidation and improvements in fiscal management and administrations will be paramount for most countries in the years ahead.

39. **The region’s financial system has generally shown some resilience to the global crisis, but contagion stemming from the collapse of CL Financial Group (CLICO) and the fallout from the Stanford scandal have exposed key vulnerabilities.** The collapse of CL Financial in Trinidad and Tobago and the Stanford Group in Antigua and Barbuda has resulted in spillovers across the Caribbean¹⁴, highlighting weaknesses in financial sector regulation and supervision, and possibly entailing significant fiscal costs in some countries. Also, while the banking systems appear broadly stable with limited external exposure, some indigenous banks, especially in the ECCU, are facing liquidity problems. In addition, following the booming private sector credit of recent years, the worsened economic conditions have resulted in rising NPLs.

40. **While a modest recovery appears to be underway, it is likely to lag behind global trends.** The commodity exporting countries in the region are expected to see a pickup in growth buoyed by a rise in commodity prices, reflecting the economic recovery in advanced countries and strong growth in emerging markets. At the same time, recovery in the tourism-intensive countries in the region is expected to remain subdued as consumers in advanced countries focus on strengthening their battered balance sheets and employment prospects improve only gradually.

B. Challenges and Opportunities Ahead

41. **There is a broad consensus among the authorities that the region needs to move forward in reducing vulnerabilities, improving the growth potential, and further strengthening policy frameworks to better absorb future shocks.** This calls for activities to support fiscal reforms, measures to improve the resilience and development of monetary frameworks and financial systems, improvements in the investment climate, transparency and economic governance, enhanced regional integration, and the provision of macroeconomic and financial statistics. CARTAC is very well positioned to assist the authorities in many of these areas.

¹⁴ Except for Haiti and Jamaica.

Moving Forward with Fiscal Reforms

42. **Reducing the relatively high public debt levels in most CARTAC countries is paramount.** Experience shows that fiscal consolidation will endure only if it is based on a broad agenda to raise growth and implement structural reforms, especially institutional reforms to strengthen fiscal systems and to make them more resilient against shocks:

- **Fiscal Policy Management.** With the help of CARTAC, an increasing number of countries are introducing reforms to support their transition to strategic, top-down fiscal management, focused on the achievement of specific sustainable medium-term fiscal outcomes. They are setting up macro-fiscal units, and mandating them to prepare quantitative advice on appropriate fiscal targets and on revenue and expenditure policy options needed to achieve them. They prepare multi-year model-based macro-fiscal projections; they carry out systematic in-year analyses of fiscal outcomes; and, as required, they advise on in-year fiscal action to get back on track.
- **Revenue administration.** With the assistance of CARTAC, a number of countries are making progress to improve revenue collection, including through the implementation of value added taxes (VAT). Continued efforts are needed, however, and there is still significant scope for revenue gains through rationalizing tax incentives, expanding the tax base, and further strengthening revenue administration.
- **Public expenditure reforms.** Most CARTAC countries' public expenditure remains large and inefficient calling for increased public expenditure reforms. Reducing government expenditure and enhancing expenditure efficiency represent the most realistic options for a credible and effective reduction in fiscal deficits and public debt ratios in these countries.¹⁵ Also, public expenditure rationalization could provide much needed fiscal space for protecting social spending and growth-enhancing capital expenditures.
- **Public financial management.** To enhance the performance of governments in the CARTAC countries, reforms in broader public financial management (PFM) systems

¹⁵ Cross-country analysis shows that some of the most durable fiscal adjustment is anchored on deep-seated structural expenditure reform (see *Experience with Large Fiscal Adjustments*, Tsibouris et al, International Monetary Fund. Fiscal Affairs Department; Occasional Paper No. 246 (2006)).

will be crucial. Diagnostic assessments and CARTAC technical assistance have pointed to a number of weaknesses in budget formulation, execution and reporting both at the central government level and for the broader government levels. Sound PFM underpins success in all aspects of government. Without effective, efficient and transparent PFM practices in place for a comprehensive definition of the public sector, governments have compromised their ability to deliver routine functions of government and respond to crises such as that experienced in 2009.

- **Debt management.** Most countries have room to improve their debt management capacity and institutional arrangements. This includes clearly identifying debt management objectives, as well as medium term debt management strategies aimed at meeting these objectives. For some countries, particularly in the ECCU region, these efforts will need to be supported by capacity building in macroeconomic and fiscal policy analysis and formulation at the country level.

Strengthening and Deepening the Financial Systems

43. **Reform efforts need to be centered on improving the resilience of the financial system** by strengthening supervision and regulation, as well as financial sector deepening, thereby promoting growth over the medium term.

- **Banking sector.** The immediate focus should be on the strengthening of contingent planning and crisis management to detect and correct early emerging problems in banks that could become systemic. Important pending areas in many countries of the region include the tightening of prudential regulations, more intense monitoring, a move towards risk-based supervision, as well as making progress in enhancing liquidity management, financial safety nets, and bank resolution frameworks.
- **Non-bank financial institutions and financial conglomerates.** The CLICO fallout has further underscored the need to improve the regulation and supervision of non-bank financial institutions, and conglomerates, highlighting the urgency for policy coordination among governments and financial regulators across the Caribbean. The ECCU, Trinidad and Tobago, Bahamas and Barbados have made some initial steps toward adopting a coordinated approach to resolve the problems in the insurance sector triggered by the collapse of CL Financial. In ECCU countries, there are ongoing efforts to put in place a unified regulatory framework for non-banks (including insurance companies, credit unions, money remittances companies, and offshore banks), improving supervision, enhancing information provision and disclosure, and harmonizing the regulation and supervision of banks and non-banks to avoid regulatory arbitrage. CARICOM is also working toward setting up a framework for regional financial stability, including through the establishment of regulatory bodies, the set up of institutional arrangements for the completion of regular Financial

Stability Assessments (focused also on consolidated supervision and systemically-important institutions), and the harmonization of initiatives at the national level.

- **Development of capital markets.** The Caribbean region has largely a bank-based financial system and capital markets remain underdeveloped. In the ECCU, the Regional Government Securities Market (RGSM) was established in 2002 with the aim of creating a single market place to potentially enable the ECCU member countries to raise their required financing in a cost-efficient manner through facilitating cross-border investments within the region and attracting foreign investors. Efforts to develop capital markets are underway in other Caribbean countries, including the establishment of a regional stock exchange.

Improving the Effectiveness of Monetary Policy and Liquidity Management

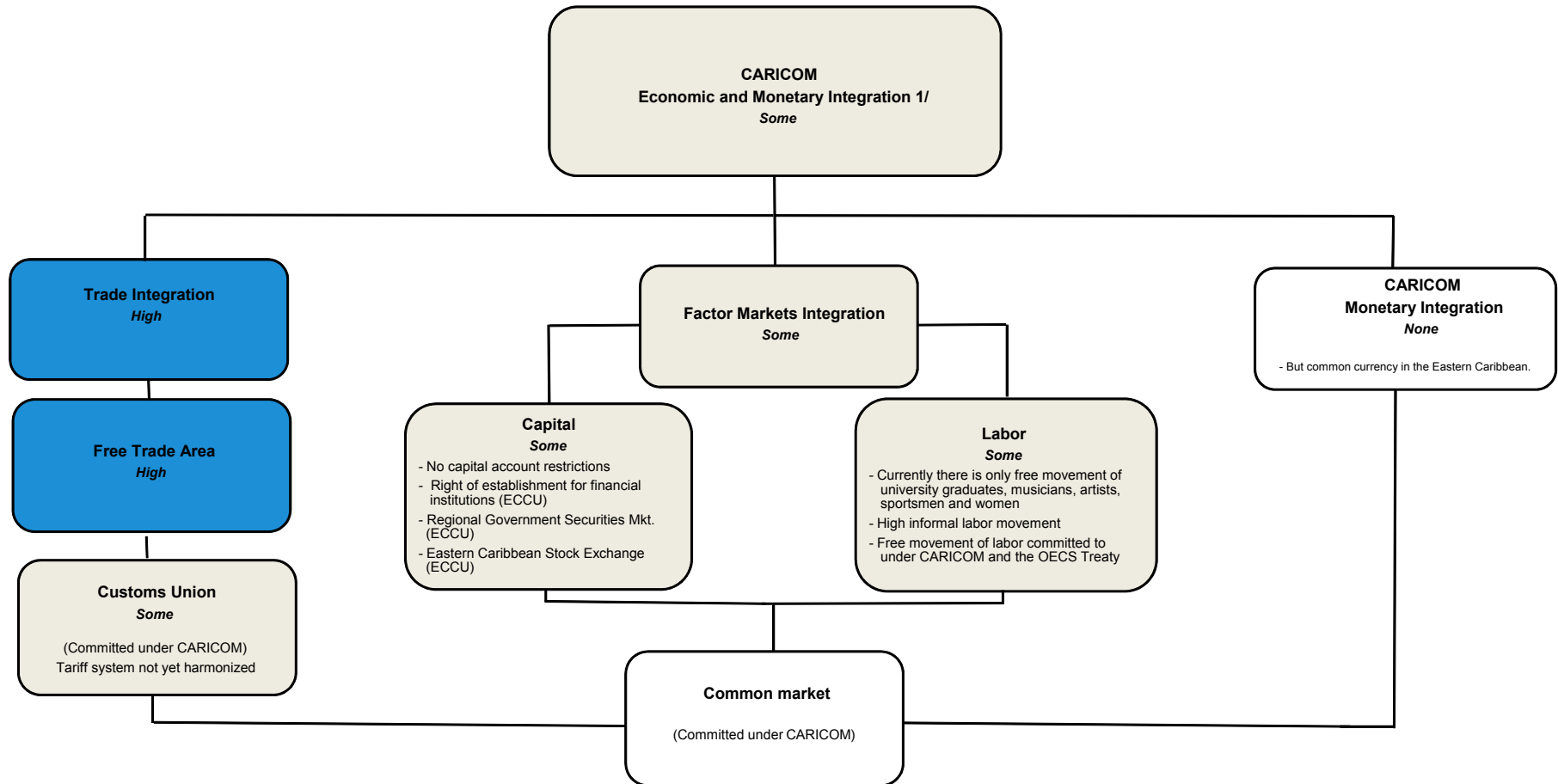
44. Several countries in the region are considering reforming their liquidity management and/or improving the effectiveness of monetary policy. In a number of countries with fixed exchange rate regimes, central banks do not have any active liquidity management instruments, and have relied on other types of mechanisms to control liquidity, often in the presence of large backlogs of cash in the banking system. Control mechanisms used by the monetary authorities have included direct credit controls and restrictions in capital flows (for instance, in The Bahamas), the use of reserve requirements and Liquid-Asset Ratios (as in Belize), as well as standing liquidity facilities such as discount windows. However, given concerns about the microeconomic efficiency of such instruments, these countries are at various stages in the process of implementing frameworks that would allow for a more explicit use of interest rate levers to influence credit demand and financial market deepening. The development of financial instruments is also warranted in countries with more flexible exchange rate regimes and longer-standing domestic money markets in order to further strengthen the effectiveness of the credit channel of monetary policy.

Regional Economic Integration and Harmonization

45. **There is a broad consensus among CARICOM countries that further economic integration will be beneficial for the region.** In addition to multilateral trade liberalization under the guidance of the WTO, significant strides have been made in the context of CARICOM's Single Market and Economy Initiatives. In the case of the Eastern Caribbean sub-region, the recent signing of the Organization of Eastern Caribbean States (OECS) Economic Union Treaty is the latest effort to foster the creation of a full-fledged Eastern Caribbean economic and monetary union. The greatest benefits of economic integration in the Caribbean will come from taking advantage of economies of scale, improved risk sharing, and the ability to better represent the region in

international fora. As the fallout from the collapse of CL Financial and the Stanford scandal has highlighted, maximizing the benefits of integration and minimizing risks, will require increased coordination and the harmonization of standards and norms. CARTAC is well positioned to support regional integration efforts, especially in the areas of financial sector regulation and supervision, revenue administration, public expenditure reform, and economic statistics. In the case of the ECCU, and given the currency union, there is also room to improve fiscal policy coordination frameworks.

Caribbean Community (CARICOM) Economic Integration



Source: IMF staff.

1/ Note: The level of integration is classified as "none" (white), "some" (light gray), and "high" (dark blue).

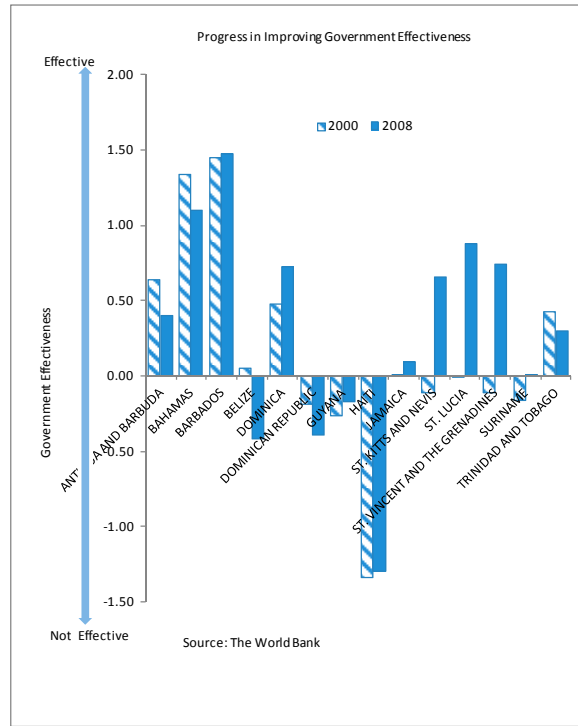
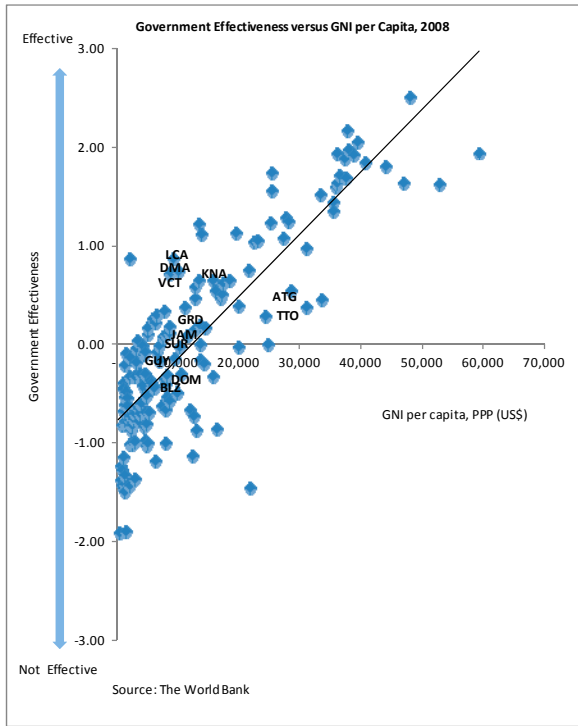
Improving the Conditions for Sustainable Growth

46. **Both tourism-based economies and commodity exporters need to foster a more broad-based growth strategy to reduce vulnerabilities arising from the high degree of dependence on any single sector and from terms of trade shocks.** Some governments in the region are trying to identify non-traditional growth sectors that could be developed. The presence of a vibrant private sector will also require, a strengthening of government institutions and improvements in the business climate, particularly as several countries in the region have fallen behind, as suggested by the World Bank's Doing Business Indicators.

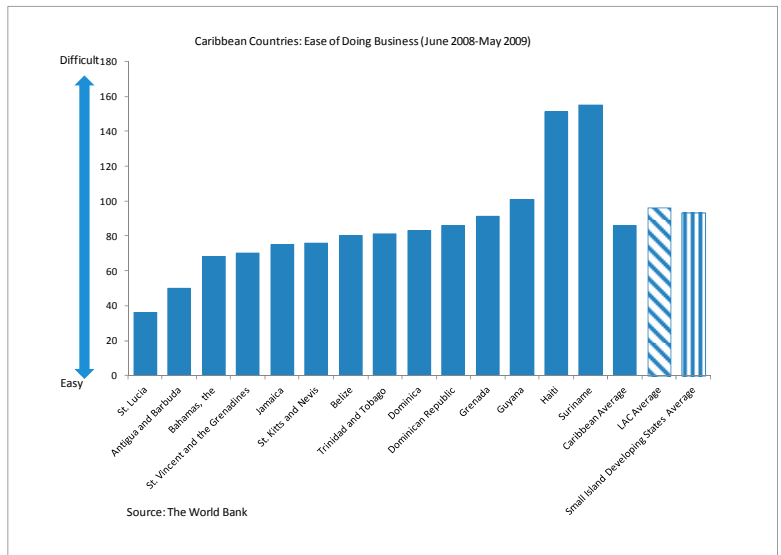
47. **Strong government institutions are critical for supporting high economic growth and a rapid reduction of poverty.** Countries with better government institutions can be expected to have higher capacity to absorb technical assistance and achieve sustainable results. Furthermore, the new policy challenges stemming from the global financial crisis require strong institutions to quickly and appropriately redesign policies.

48. **The quality of government institutions varies across Caribbean countries.** While few countries, including St. Lucia, Dominica, St Vincent and St. Kitts and Nevis have more effective government institutions for their level of per capita income, others like Belize, Trinidad and Tobago, and Antigua and Barbuda have relatively less effective government institutions, given their level of per capita income. Similarly, while the former countries have registered significant improvements over time since 2000, the latter countries registered deteriorations in the effectiveness of their government institutions.

Caribbean Countries: Government Effectiveness



49. On average, Caribbean countries have a better business environment compared to the Latin American and Caribbean (LAC) group and Small Island Developing States (SIDS), with Haiti and Suriname notable outliers. That said, the Doing Business indicators point to a number of areas where improvements are needed. In particular, most countries have significant scope for improvement in areas such as access to credit, property registration, contract enforcement, and closing a business.

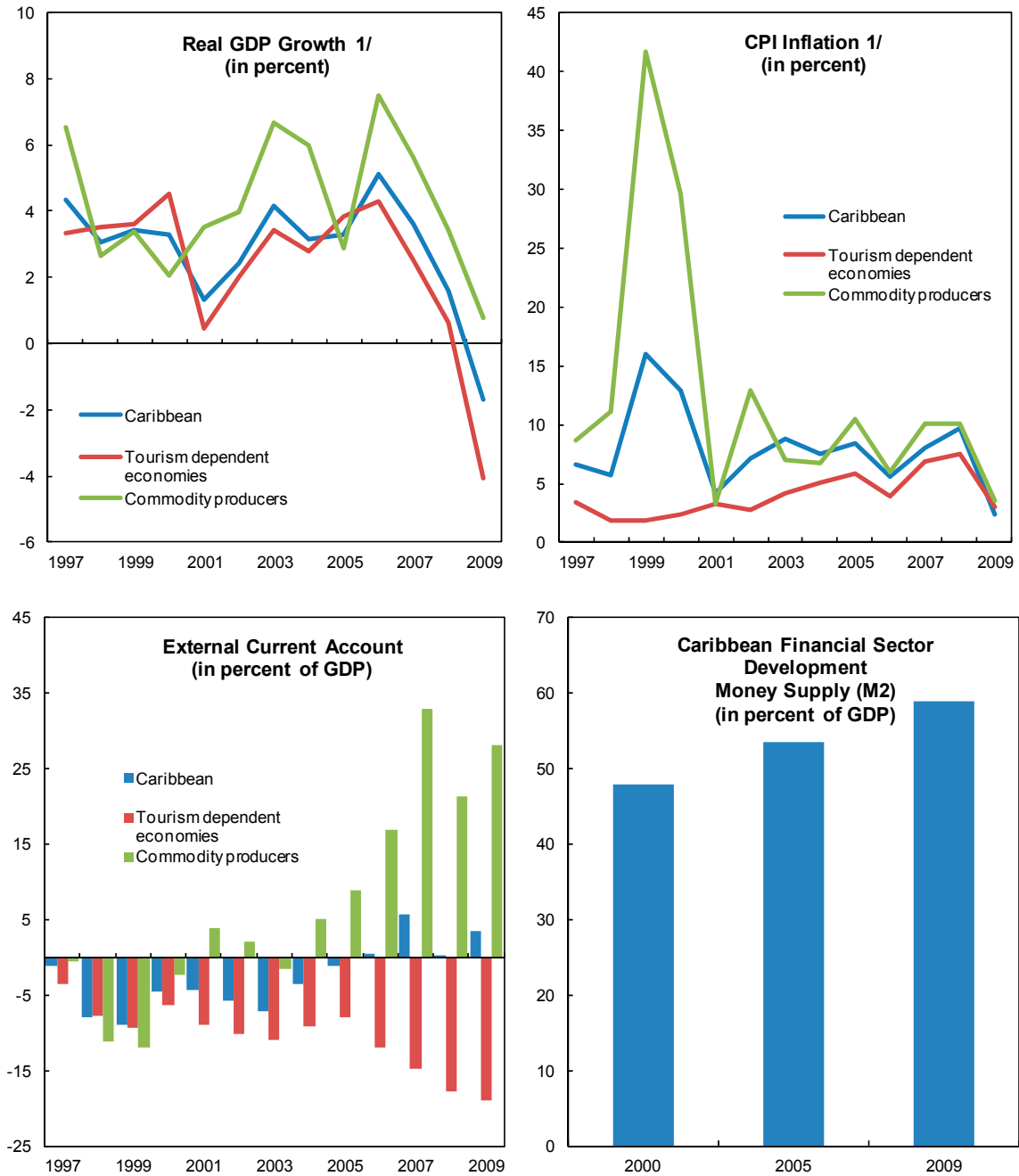


Strengthening Statistical Capacity

50. CARTAC countries have made significant efforts in improving data quality, but further efforts are warranted. Countries that are already issuers of sovereign bonds in international capital markets are well aware of the need to provide timely and adequate

information to market participants. A number of countries in the region subscribe to the General Data Dissemination System (GDDS) and have started to publish advance release calendars. With the assistance of CARTAC, the region has made progress in improving national accounts and price statistics. Despite the progress though, more needs to be done, and CARTAC is well positioned to continue assisting the countries in improving their capacity to produce timely and reliable data.

Caribbean: Selected Key Indicators, 1997-2009



Source: Country authorities and IMF staff estimates.

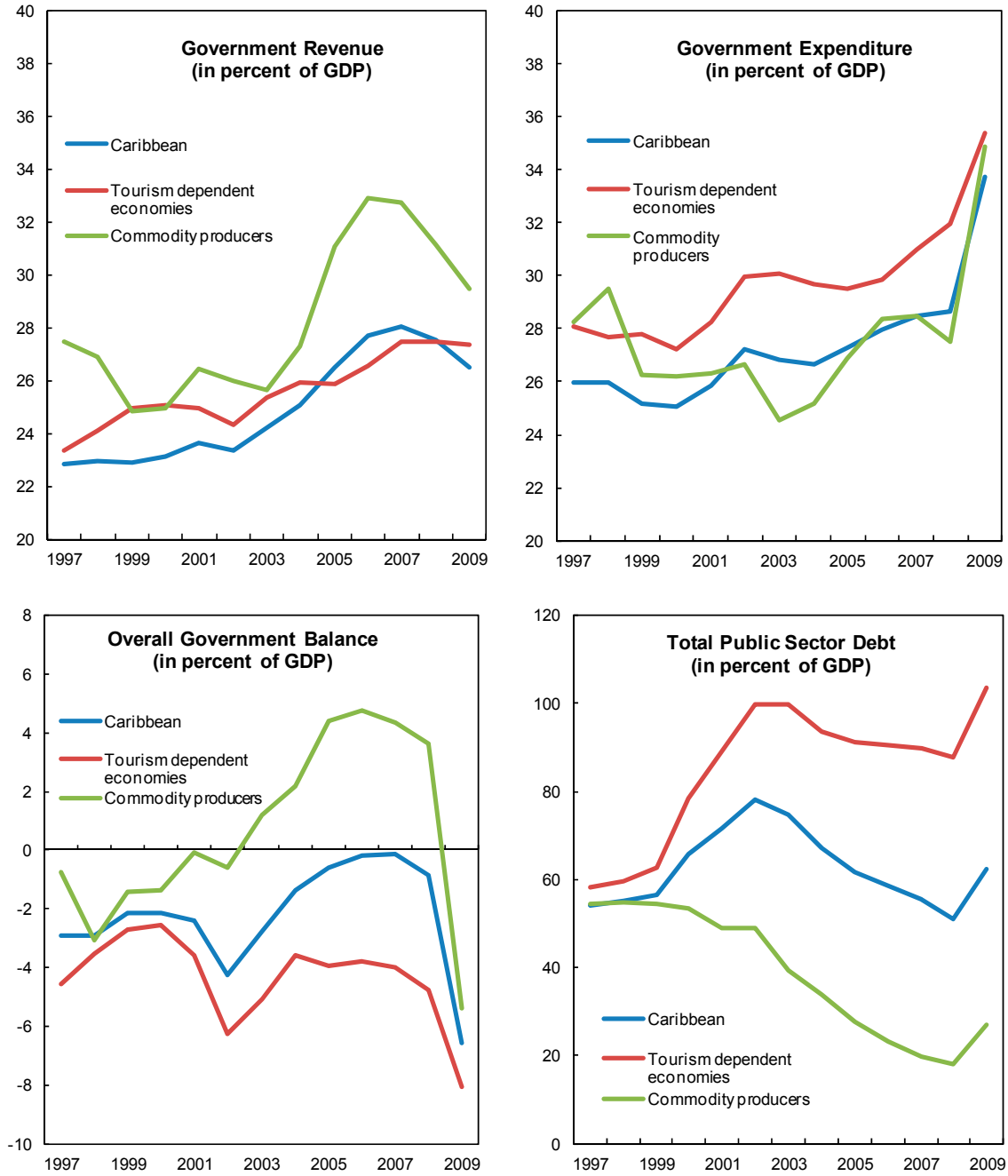
Caribbean: weighted average of The Bahamas, Barbados, Belize, ECCU, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago.

Tourism dependent economies: weighted average of The Bahamas, Barbados, ECCU, and Jamaica.

Commodity producers: weighted average of Guyana, Suriname, and Trinidad and Tobago.

1/ Simple average of ECCU and other Caribbean countries. ECCU comprises: Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines .

Caribbean: Selected Fiscal Indicators, 1997-2009



Source: Country authorities and IMF staff estimates.

Caribbean: weighted average of The Bahamas, Barbados, Belize, ECCU, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago.

Tourism dependent economies: weighted average of The Bahamas, Barbados, ECCU, and Jamaica.

Commodity producers: weighted average of Guyana, Suriname, and Trinidad and Tobago.

Caribbean Countries: Ranking on Doing Business Indicators (June 2008–May 2009)

Economy	Ease of Doing Business Rank	Starting a Business	Dealing with Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
St. Lucia	36	36	12	20	76	87	27	40	103	165	47
Antigua and Barbuda	50	59	21	54	103	113	27	128	53	71	64
Bahamas, the	68	61	100	42	149	71	109	42	37	120	31
St. Vincent and the Grenadines	70	45	3	57	137	87	27	62	52	102	183
Jamaica	75	19	49	39	122	87	73	174	104	128	23
St. Kitts and Nevis	76	86	8	19	153	87	27	100	53	114	183
Belize	80	147	4	23	128	87	119	57	117	168	25
Trinidad and Tobago	81	65	82	45	170	30	20	56	49	169	183
Dominica	83	38	27	80	113	71	27	68	86	167	183
Dominican Republic	86	107	92	97	112	71	57	70	36	86	146
Grenada	91	52	15	49	162	87	27	82	79	162	183
Guyana	101	97	39	87	72	150	73	113	76	75	129
Haiti	151	180	126	28	129	135	165	99	144	92	155
Suriname	155	171	98	70	168	135	180	32	101	178	149
Caribbean Average	86	83	48	51	128	93	68	80	78	128	120
LAC Average	96	99	76	89	108	82	83	106	88	112	104
Small Island Developing States Average	93	88	52	60	118	113	81	68	83	113	125

III. CARTAC'S NEXT FIVE YEARS

51. CARTAC's objectives over the next five years are being developed jointly with recipient countries, representatives of CARICOM Secretariat, donors and other TA providers. The starting point for this program document is recipient countries' sector-specific reform strategies. CARTAC's work will be integrated into IMF HQ TA and IMF program and surveillance work in member countries to ensure that its TA remains highly relevant and focuses on IMF core expertise.¹⁶

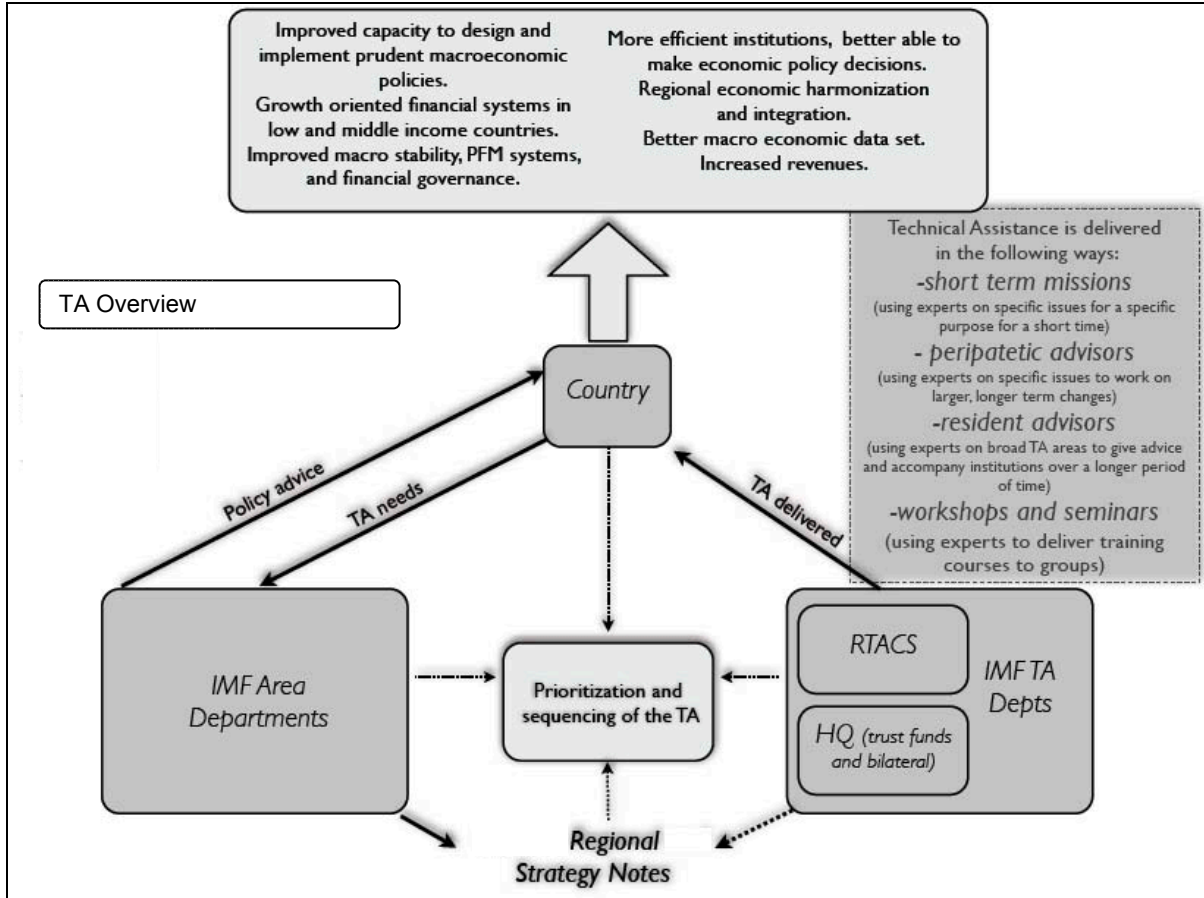
52. The proposed five-year plan envisages a high level of demand for TA across the Caribbean, consistent with the economic development and public financial management needs assessed by CARTAC. However, whether or not CARTAC will be able to deliver this level of support will largely depend on the availability of resources to support a high volume of TA interventions. Member states will be encouraged to contribute more to this effort, however, given the public finances of CARICOM members, it is highly unlikely that a large additional level of support will be forthcoming from this source. CARTAC will continue to rely on a traditional base of donors (at least in the near term) and will need to diversify this base substantially over the period if the results expected are achieved. In the event that fund-raising is not sufficient to cover the budget proposed in this document, the document will be adjusted to accommodate the most urgent TA needs. This scenario would retard the reform momentum underway to prepare, especially, for regional integration, but also to stabilize the public finances generally and reduce debt burdens specifically.

A. CARTAC and other IMF TA

53. **All IMF TA, regardless of financing source and delivery mode, is integrated with each other and with the IMF's broader lending and surveillance activities.** In consultation with country authorities, WHD integrates CARTAC countries' reform agendas with the IMF's program and surveillance perspectives, drawing on the technical expertise of TA departments. WHD identifies TA needs and priorities across TA sectors, balancing short- and medium-term considerations. It relies on the IMF's TA departments' expertise and country knowledge for prioritization, sequencing, and selecting the delivery modality. This internal prioritization process ensures that IMF TA remains highly relevant and focuses on the IMF core expertise, while taking into account regional developments. The resulting WHD Regional Strategy Note (RSN), which is shared with recipient countries and donors, sets out a joint medium-term TA agenda for the region, providing the basis for coordination of all IMF TA activities as well as their integration into the IMF's surveillance and lending operations.

¹⁶ The Regional Strategy Note (RSN) for WHD reflects the result of the internal prioritization process and sets out a medium-term TA agenda for all WHD countries. The RSN includes the work of CARTAC.

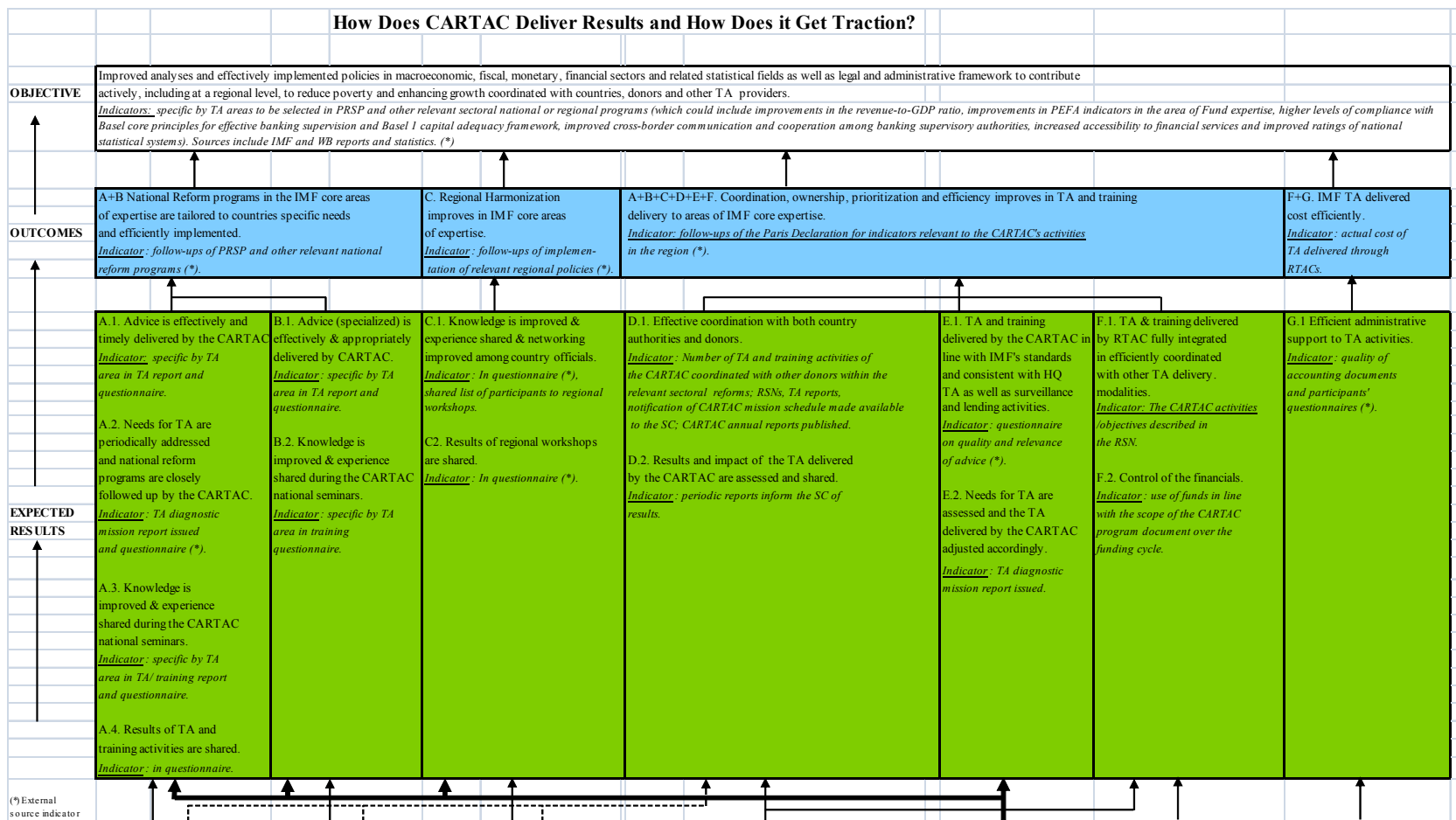
54. **The IMF's ability to provide continued capacity building in the medium term increasingly depends on external finance.** IMF-financed TA is prioritized to building the capacity needed to successfully implement macroeconomic policies, including under IMF programs. In this respect, the IMF undertakes diagnostic assessments of weaknesses and formulates plans to address them. High and rising demand for IMF TA has recently been reinforced by the impact of the global crisis, increasing the need for external financing to supplement the IMF's own resources. Such assistance leverages the IMF's expertise and experience for medium-term capacity building. Depending on donors' priorities, external financing is channeled into a topical or a regional trust fund. Complementing the proven model of the RTACs, topical trust funds provide global geographical coverage and specialized topical scope, drawing on a centralized pool of experts at the IMF HQ or from the IMF's international expert roster. The topical trust funds create synergies with the work of the RTACs, which focus on hands-on implementation of such advice. The RSN ensures that all TA activities are integrated and coordinated, providing a continuum of coverage throughout the process from diagnostics to day-to-day implementation on the ground. Open lines of communication, including via TA departments' backstopping of RTACs and external experts, ensure consistency, cross-fertilization, and operational relevance.

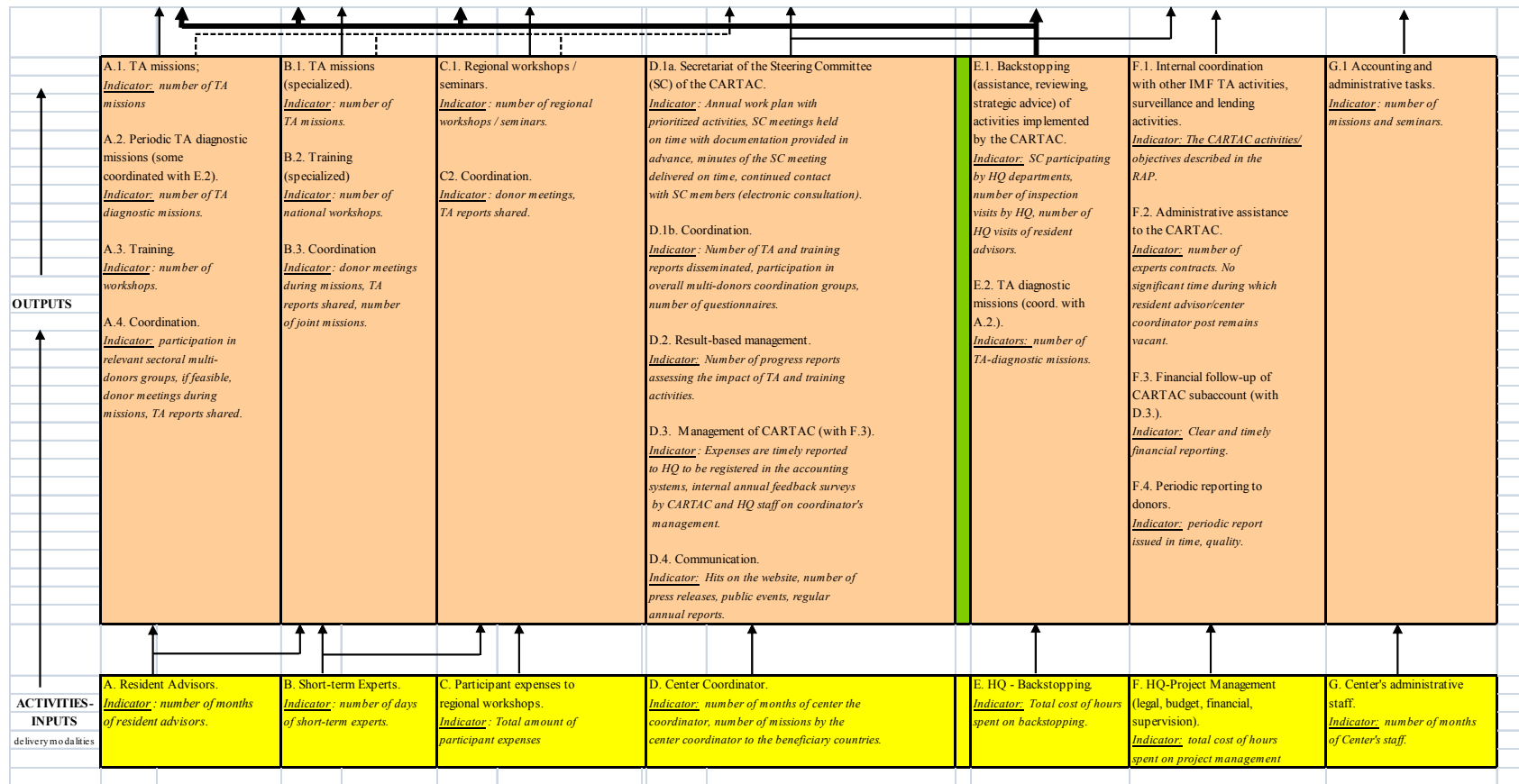


55. **To best meet countries' needs, specific delivery modes are chosen depending on the complexity of the task and countries' implementation capacity.** Diagnostic HQ-led missions are often the starting point for TA delivery; they generate multi-year blueprints for reform projects with implementation devolved to the modality (such as the RTACs) that best meets the needs of the country. HQ missions draw on expertise required for the specific subject, cross-country knowledge and international best practice and usually include the RTAC's resident advisors. RTACs activities have a deep knowledge of the region and countries, including cross-cutting and regional integration issues, and are closer to their clients. Frequent contact and missions of RTAC resident advisors in the region provide step-by-step assistance in implementing reforms, including putting together the nuts and bolts. Missions from both HQ and RTACs draw on a vetted roster of external short-term experts to complement the skill set, if needed. For follow-up on specialist issues or where RTACs are not available, peripatetic advisors provide regular follow-up missions over a longer period of time. In countries where capacity is particularly weak, long-term resident advisors—backstopped by HQ—are stationed to provide guidance on a day-to-day basis and—if needed and wanted—temporarily supplement the authorities' capacity.

B. Measuring How CARTAC Achieves Its Objectives

56. **Results-based management will become the main tool used to assess the achievements of CARTAC.** A robust framework of the CARTAC results, presented in a clear and logical manner at the beginning of the program period, would improve the measurement of the objectives and results. The results-based management framework will be coordinated with donors and other TA providers (e.g. CDB) and indicators linked to the extent possible to those of other donors to facilitate coordination (for instance, PFM is linked to the PEFA framework). In light of the experience of other international organizations and governments that have adopted similar frameworks, CARTAC and the IMF recognize that identifying good indicators is a dynamic and iterative process, and that the objectives and indicators may be refined as the program is implemented. The SC of CARTAC will be one of the fora for these discussions.





C. Integration and Synergies with Other TA Providers

57. **CARTAC provides a robust platform for implementing the March 2005 Paris Declaration which calls for efforts to harmonize, align and manage aid for results.** CARTAC's TA activities are integrated with recipient countries' poverty reduction and development strategies. Moreover, through the SC as well as the relationships and regional expertise of CARTAC staff, TA activities are directly coordinated with those of donors and other TA providers.

58. **CARTAC's coordination with other donors active in CARTAC countries is key to its success and will be further strengthened.** TA in CARTAC's area of competence is being provided to the region by a group of multilateral institutions, mainly CARICAD, the Caribbean Community (CARICOM), the Caribbean Development Bank (CDB), the Canadian International Development Agency (CIDA), the UK Department of international Development (DFID), the European Union (EU), the Inter-American Development Bank (IDB), and the World Bank (WB) Group.

59. **To help ensure complementarities and synergies with other TA providers, the CARTAC Coordinator is the focal point for this liaison with bilateral and multilateral agencies in the field.** In particular, the Coordinator will:

- Disseminate the WHD RSNs,¹⁷ including the IMF's Resource Allocation Plan (RAP), which details all TA missions and assignments planned in an IMF financial year, including those planned for CARTAC.
- Circulate reports prepared by CARTAC experts to the SC and, upon request, other relevant stakeholders if the TA recipient consents (consent by the TA recipient would be given on a no-objection basis). He/she will also circulate to the SC reports prepared by the IMF HQ. This will provide CARTAC recipient countries, donors, and other TA providers with the information they need to better coordinate with IMF and CARTAC TA.
- Strengthen donor briefings, including through any IMF's Resident Representative Offices in the region. Information on CARTAC missions are posted on CARTAC's website, which include contacts with other donors. CARTAC will continue to participate in regional donor coordination groups, and provide donor briefings upon request.

¹⁷ According to the IMF's new dissemination policy, which was adopted in FY2010 (<http://www.imf.org/external/np/pp/eng/2009/040609.pdf>).

- Continue publishing CARTAC annual reports and newsletters.

D. Agenda—Revenue Administration (Tax & Customs)

CARTAC—Previous Phases

60. **In collaboration with HQ and country authorities, CARTAC has assessed various tax policies and administration issues to recommend improvements.** During the recent past, most Caribbean countries' tax systems were fragmented and under-performing, based heavily on import duties, and distortionary and revenue-inelastic consumption taxes. CARTAC: (1) undertook a survey of tax systems in eleven countries; (2) sponsored a tax commission comprised of regional experts from academia, private and public sectors; (3) conducted a regional IT study in twelve countries regarding electronic system applications and the way forward; (4) assisted countries in carrying out targeted tax improvements and shifting revenue bases from tariffs to other sources in preparation for World Trade Organization (WTO) accession and other trade liberalization initiatives (e.g. Free Trade Agreement of the Americas (FTAA)); and (5) delivered numerous regional workshops on topics such as (i) revenue authority; (ii) insurance concepts and taxation; (iii) the CARICOM Tax Treaty; and (iv) standardizing and harmonizing operational procedures, work processes and technical support manuals; and (v) uniformed approaches to critical tax compliance in the Caribbean.

61. Country specific training has also been a successful area for CARTAC. Effort has been concentrated on best practices in revenue administration, risk assessment, tax audit, collections enforcement, taxpayer services, customs post clearance audit, and compliance management. Training has also been effected through a series of professional attachments, where appropriate.

Coordination with Development Partners

62. **During CARTAC I and II,** CIDA (through ECEMP) and the Inter-American Association of Tax Administration (CIAT) assisted in improving revenue administration procedures and computer software (SIGTAS and Tax Solutions). DFID has provided assistance for revenue administration and information management in Antigua. The IDB has been active in VAT administration reforms in Barbados and Guyana. The WB has provided loans to Dominica and Grenada to support customs modernization and automation. The Caribbean Customs Law Enforcement Council (CCLEC) has been instrumental in promoting regional customs intelligence liaison and enhancing organizational performance through management and supervisory training.

63. **During CARTAC III** the CARTAC tax and customs team continued to partner with other donors and regional bodies resulting in no duplication of in-country TA and the completion of many activities such as: (a) regional revenue administration comptrollers' meetings; (b) annual meetings and conferences; (c) Top Ten Non-

Compliance tax topics workshop; (d) CARICOM Customs bill; (e) CARICOM Tax Treaty; (f) Revenue Authority Toolkit workshop; (g) Regional IT Study; (h) Tax Administration IT workshop; (i) Insurance Concepts workshop; and (j) modern VAT courses.

Phase IV—Country and Regional Objectives

64. **Reduce Reliance on Import Duties** - The traditional reliance on import duties as a revenue source has been impacted by accessions to FTAA/WTO, the establishment of the Economic Partnership Agreement between CARICOM member states and the EU and other international trade initiatives. Such measures tend to significantly reduce countries' revenue derived from international trade. This necessitates the reform and optimization of domestic revenue systems to replace existing inefficient taxes, broaden the tax base and generate a stable stream of revenue. The introduction of VAT is a major step forward in this regard, and although this has been carried out in six countries in the region, two more countries are currently moving towards implementation. After implementation, there is still a need for continuing support to consolidate new processes and organizations and to institute further reforms, which can leverage on the changes, which are inevitable in the introduction of a new tax (e.g., risk-based compliance management strategies). In the area of income tax, there is scope for simplification measures, and the rationalization and reduction of tax exemptions and concessions.

65. **Institutional shortcomings** - A significant barrier to building sustainable capacity in many of CARTAC's client countries is their small size. Only five of the 20 members have populations of over one half million, and seven have populations of less than 100,000. The small size of the economies, coupled with financial constraints associated with the small tax base, have served to limit the size of many government agencies. The small size of these agencies has meant that many functions that are carried out by a number of people in a larger country may be done by one or two staff members, sometimes even on a part-time basis. This inability to develop self-sustaining capacity and in-depth specializations within an agency needs to be factored into any reform effort.

66. As reflected in the findings of the CARTAC Regional IT Study, **the computerization of customs and inland revenue procedures to improve processing and compliance (mainly through risk management), and the lack of a regional focus continue to be major challenges.** Current IT systems in most countries are outdated and fragmented. Many procedures remain manual, inefficient and conducive to corruption. Moreover, most Caribbean countries prefer to maintain their own proprietary IT system, in spite of significant associated overhead costs in countries with as few as 5,000 active taxpayer records.

67. **Priorities and objectives will be to:**

- **Complete VAT implementations.** Six countries have so far introduced VAT during Phases II and III of CARTAC, and implementation projects are under way in two more. A priority for Phase IV would be to complete implementation and initial operationalization of the new tax, where required, then to provide appropriate TA in the ‘post implementation’ phase to consolidate the reforms invariably introduced as part of the implementation, and to support the full integration of the VAT units within the existing IRDs. More comprehensive reorganization plans such as moving to functional or segmental based organization, the creation of medium and large taxpayer units, regional operational solutions, and new governance structures would also be pursued.
- **Promote regional approaches and initiatives** intended to operationalize and complement the OECS Treaty. These include formalized information sharing agreements, a regional Large Taxpayer audit function, a regional VAT Appeals and rulings body, and common staff/operational manuals.
- **Enhance and support computerization of inland revenue and customs and the promotion of a regional IT system** and regional center supporting the CIDA program known as Support for Economic Management in the Caribbean (SEMCAR). This should be based on CARTAC’s 2008 regional IT study commissioned by CIDA. CARTAC’s experience with procedural redesign, technical tax administration functions, and organizational change, will complement the information technology focus of the SEMCAR program.
- **Improve customs productivity and efficiency through applied risk management practices.** These techniques do away with unnecessary burdens on traders by downscaling physical inspection, reducing bottlenecks at border crossings, and replacing certain documentation controls at the border with post-clearance audits. They significantly enhance the predictability and consistency of border requirements by allowing the harmonization of practices between different border points and the facilitation of information sharing.

Box 2. Possible verifiable indicators of success¹⁸

- Improving trend over time of the overall tax-to-GDP ratio.
- Improving trend over time of the VAT efficiency ratio.
- Declining trend over time of the cost of collection ratio.
- Declining trend over time in client compliance costs.
- Improving “Doing Business Index” (Paying taxes and trading-across borders).

¹⁸ Possible verifiable indicators apply to all recipient countries.

E. Agenda—Public Financial Management (PFM)

CARTAC—Previous Phases

68. **Demands for CARTAC assistance increased significantly in Phase III, particularly in 2010.** During this phase CARTAC positioned itself to focus more strategically, supporting countries in undertaking diagnostics and in developing PFM reform action plans to better support country led reform processes. The trend began with the EC channeling its PFM-focused TA budget to St Vincent and the Grenadines through CARTAC (€ 500,000), more than doubling the entire PFM budget in one year.

Coordination with Development Partners

69. CARTAC’s contributions to PFM reform will continue to involve coordination with other TA providers and with donors to meet specific country and regional needs. CARTAC will also seek to lead the development of PFM reform action plans, which should, in turn, become the centerpiece for agreement on TA programs with member countries.

70. **The new CIDA financed project, Strengthening Economic Management in the Caribbean (SEMCAR)** - when established later in 2010 - will provide an additional vehicle for PFM technical assistance delivery and ICT support. SEMCAR’s approach will be to develop synergies through regional cooperation by proceeding as a “whole” to modernize processes and institutions and develop flexible and sustainable ICT. Over time, as SEMCAR is cemented in the region, the bilateral implementation oriented TA will be channeled through SEMCAR. CARTAC’s regional coverage is more expansive than that of SEMCAR, covering 20 countries, 8 more than SEMCAR; however, both vehicles of TA delivery will work hand-in-hand complimenting and supporting each other’s activities.

71. **Active collaboration will occur with** the Caribbean Centre for Development Administration (CARICAD) (strategic budgeting); the EC (Public Expenditure and Financial Accountability (PEFA) and development of PFM action plans; IDB (partnering on conferences and workshops); and CIDA, CDB, the East Caribbean Central Bank (ECCB), DFID, and the WB. CARTAC will also coordinate with the Commonwealth Secretariat (COMSEC) and Caribbean Organization of Supreme Audit Institutes (CAROSAI).

Phase IV—Country and Regional Objectives

72. **CARTAC might scale up its PFM agenda.** The EC is looking to replicate the approach of Phase III in a number of other countries (initially Grenada and Dominica). Other donors are considering a similar strategy (DFID in Montserrat). If this workload persists, it will be necessary to assess the availability of resources to meet the increased

workload demands. The current CARTAC budget does not have the scope to meet any increase in demands for PFM technical assistance. However, the SEMCAR project will be a viable option to meet new PFM TA pressures.

73. The PFM program in CARTAC spans the areas of **budget preparation, budget execution and audit**. Activities are a blend of TA, targeted training initiatives for capacity building, support of regional initiatives (Caribbean Public Financial Association CAPFA) and conferences. TA interventions will concentrate on sharing experiences among countries and developing practical and sustainable solutions for each. Exchanges will allow countries to lever off good practice in other governments, and see first-hand how to solve problems to improve IT systems in particular.

74. **Region-wide assistance** will continue to focus on capacity building through training and development of educational materials and through facilitation of inter-country networks to promote the active exchange of knowledge and experience between (and within) countries.

75. **The program will focus on five key areas:**

- Develop a more strategic approach to PFM Reform by undertaking PFM diagnostics and supporting the development of PFM reform action plans.
- Strengthen Treasury Management and the Accountant General's institution including budget execution and fiscal reporting.
- Strengthen capacity to develop medium term results oriented budget including budget preparation and expenditure reviews.
- Strengthen Internal control frameworks through the improved competence of internal auditors.
- Develop a more sustainable education and peer assisted learning capacity in the region.

Develop a more strategic approach to PFM Reform by undertaking PFM diagnostics and supporting the development of PFM reform action plans

76. For each country, CARTAC has the objective of supporting the proper sequencing and planning of PFM reform and capacity building. To this end, CARTAC undertakes specific diagnostic missions, promotes and undertakes PEFA assessments, and supports countries to develop PFM reform action plans.

77. If requested, CARTAC would expand its bilateral TA, based on the requirements identified in the PFM Action Plan of each country. This would be based on the successful model implementation in 2009/10, when CARTAC commenced the management of its first bilateral TA program in a specific country (St Vincent and the Grenadines). This intervention is viewed as highly successful, with the program developed following-on a

PEFA assessment and the TA and training interventions identified on the basis of a PFM reform action plan. The authorities created a SC to oversee the program, which meets quarterly, reviewing progress and agreeing on the interventions for the next quarter. Further interventions of this nature are expected in 2010 and beyond (Dominica, Grenada, Montserrat, St Kitts and Nevis, St. Lucia and Suriname).

Strengthening Treasury Management and the Accountant General's institution

78. In terms of budget execution, TA will focus on improvements in areas such as bank reconciliations, cash management and forecasting, and financial reporting, according to the Cash based International Public Sector Accounting Standard (IPSAS). Countries that are already well advanced in these areas will be encouraged to assist, through country exchanges, to develop capacity in those countries requiring improvements. As countries' capacity grows, TA will shift to support the proper disclosure of additional non-cash financial information (accruals).

79. CARTAC will also work closely with the new SEMCAR program in examining ways to better utilize technology and embrace E-commerce – an area severely underdeveloped in the region. In 2010, CARTAC commenced a program to encourage countries to replace check payments with direct bank deposits. Similar strengthening activities will focus on revenue collection and reporting, bank reconciliations, and enhanced transparency through the publishing of key financial information electronically.

Strengthen capacity to develop medium-term results oriented budgets

80. The impact of the fiscal crisis has refocused governments on the need to strengthen fiscal discipline in budget formulation. PFM will join forces with the macroeconomic advisors in CARTAC to promote the development of Medium-Term Fiscal Frameworks (MTFFs). Work will focus on institutionalizing a medium-term approach to budget formulation, improving the focus on performance and enhancing the presentation of budget information for decision making. CARTAC will also offer strategic budgeting seminars to parliamentarians and senior public officials to seek their “buy-in” to greater fiscal discipline.

Strengthen internal control frameworks through the improved competence of internal auditors

81. While CARTAC will continue to offer its internal audit training program (expanded to focus on value for money auditing), the focus will shift beyond training to deliver audit mentoring programs, including joint initiatives with other development partners in this area.

Develop a more sustainable education and peer assisted learning capacity in the region

82. CAPFA is viewed as a strategic partner for CARTAC. In 2009/10, most CARTAC training activities and conferences were jointly delivered with CAPFA. The development of a sustainable PFM capacity building program is a core objective of both entities and is expected to continue to produce benefits across the region and enhance the sustainability of training resources. A strategy also commenced in 2009 to develop capacity by developing and utilizing regional presenters and training materials for courses on various PFM topics – an approach which has proven to be successful.

83. A program of training activities will be developed jointly with CAPFA, with CARTAC support for this body in development, management, delivery and quality assurance. This program will expand each year as it seeks to provide a regular annual program of targeted PFM training interventions based on regional and country needs.

84. The trend of using regional officials for training will also shift to the delivery of TA interventions and their participation in the development of regional conferences and workshops, where appropriate.

Box 3. Possible verifiable indicators of success ¹⁹

- PEFA Assessments show improvements over time.
- Increase in the number of regional experts/presenters and increase in the number of events delivered by regional experts.
- Government Payments made on the due date.
- Length of time to produce in-year and annual financial statements is reduced.
- Annual Financial Statements are produced in accordance with International Public Sector Accounting Standards.
- Countries derive and disseminate a GFSM 2001-consistent set of fiscal statistics, including an operations statement and a financial balance sheet that support national and IMF reporting requirements.
- In-year and end-of-year reports are available publicly (Internet).
- Number of audits undertaken consistent with International Internal Auditing Standards increases.

¹⁹ See footnote ¹⁷

F. Agenda—Financial Sector Supervision Mission and Regulation

CARTAC—Previous Phases

85. CARTAC focuses on capacity building of the supervisory authorities for the financial sector. In the Caribbean, the financial sector includes banks, development banks, insurance companies, credit unions, other depository institutions, pension funds, money services businesses, and the international sector, which includes off-shore banks, insurance companies, trust companies, mutual funds, and service providers. **Capacity building in the financial sector focuses on three overarching goals:**

- protection of depositors and policy holders;
- establishing financial stability;
- sustainability of capacity building.

86. To achieve this mandate, CARTAC works through Caribbean supervisory groups and focuses on strengthening the capacity building efforts of these groups. These groups are the Caribbean Group of Banking Supervisors (CGBS), the Caribbean Association of Insurance Regulators (CAIR), the Off-shore Group of Insurance Supervisors (OGIS), and the newly-developed Caribbean Association of Pension Supervisors (CAPS). These groups aid in ensuring the sustainability of capacity building in the region, and CARTAC works closely with them to identify areas of need in supervision capacity building. It is the Groups that carry forward with the sustainability of the TA provided.

87. The initial two phases of CARTAC focused on improving supervision in the banking sector. Banking supervision in the Caribbean is now considered to be advanced, with a few exceptions, with the appropriate tools to meet the international standards of banking supervision. However, issues remain with respect to the effective management of staff to ensure the safety and soundness of the banking sector as well as the quality and quantity of supervisory staff in some of the smaller Caribbean islands. Phase III focused on improving the supervision of the non-banking financial sector, such as insurance companies, credit unions, pension funds, and the off-shore sector. Continued TA is needed in the area of non-bank supervision to achieve the overarching goal of protection of depositors and policy holders.

88. Financial stability and, in particular, regional financial stability is a recent area of focus by CARTAC, and a strategy paper is being circulated at this time. This Regional Financial Stability Strategy Paper resulted from a collaborative effort by senior supervisory official in the Caribbean at a workshop held in March, 2010. This topic will be more fully developed in the CARTAC's Phase IV.

89. Seventy percent of CARTAC TA involve bilateral TA between a country and a financial sector expert; 30 percent of CARTAC's activities are workshops and conferences. TA includes drafting of laws and regulations, supervisory manuals and implementation of these manuals, training and participation in on-site examinations and off-site supervision, development of policy responses to systemic issues, stress-testing models, and consolidated supervision. Resources focused on the least developed areas of financial supervision, primarily insurance and credit union supervision, were a major focus in Phase III.

90. To the extent possible, CARTAC shares the results of work in one country with the other countries in the region. This work is posted to the newly developed Financial Sector Resources website housed within the CARTAC website (www.cartac.org/pagesselect.cfm?page=29).

91. CARTAC has been instrumental and successful in developing single regulatory units in the OECS, establishing a framework for credit bureaus, developing stress-testing models for banking supervisors, creating a crisis management program for banking supervisors, and developing insurance supervisory frameworks.

Coordination with Development Partners

92. CARTAC coordinates and cooperates with the World Bank (WB) Group on regional projects. The WB has worked closely with CARTAC to assess the strengths and weaknesses of the single regulatory units in the OECS as well as addressing supervisory issues in the insurance sector. The International Finance Corporation (IFC) and CARTAC are jointly implementing the credit bureau development project. CARTAC also collaborated closely with the International Advisory Group at the Office of Financial Institutions in Canada on banking and insurance technical assistance programs before its disbandment in March, 2010. CARTAC recently developed a relationship with the World Council of Credit Unions, and plans are underway to collaborate on training for credit union supervisors.

Phase IV—Country and Regional Objectives

93. **Implement a framework for Regional Financial Stability that encompasses the 20 CARTAC member countries.** The CARICOM Heads of Government mandated, at a meeting in Georgetown in June 2009, the urgency of putting in place a framework for regional financial stability in light of the economic impact on the region from a troubled regional insurance company. CARTAC is leading this project in conjunction with the Caribbean Center for Money and Finance and the Central Bank of Barbados. The framework under consideration as of April, 2010 consists of: (1) building upon the knowledge and risk identification of existing supervisory groups such as the Caribbean Group of Banking Supervisors, the Caribbean Association of Insurance Regulators, (2) instituting national financial stability assessments and reports to feed into a regional

financial stability report, (3) establishing of a central location to house and collect from each country key data to assess financial stability, (4) establishing of a governance structure to ensure accountability and objectivity of the regional financial stability assessments, and (5) developing an annual regional financial stability report/assessment.

94. **Development of a supervisory framework for credit union supervision for most of the 20 CARTAC member countries.** In the past year, the region has turned its attention to the safety and soundness of credit unions. Credit Union Acts are currently being drafted/revised and presented to Parliaments. The supervision of credit unions is being moved from the Ministry of Finance to either the Central Banks or to a single regulatory unit in some cases. As these legal and structural issues are resolved with the assistance of CARTAC, the next step is to enhance the supervisory capabilities of the credit union supervisors in the areas of licensing, off-site supervision, on-site supervision, and exit from the market, much in the same way insurance supervisory capacity was strengthened in Phase III.

95. **Continue to expand bank stress-testing models to other countries in the Caribbean that have not developed stress-testing models.** Barbados and Belize have stated that they are ready to undertake this project in 2010. This will bring 13 of the 20 CARTAC member countries under the bank stress-testing model that has been harmonized for the region. The remaining countries have indicated that they would like TA in this area in 2011.

96. **Provide resolution advice to Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines on the failed insurance company British American Insurance Company (BAICO).** BAICO owes approximately US \$400 million to annuity holders in these countries and the failure of this insurance company has been devastating to the economy of the OECS. A strategic investor is interested in taking over the operations of BAICO. CARTAC will provide a corporate resolution/work-out expert to advise the governments on the resolution strategy, to negotiate with the strategic investor, to negotiate with the policy holders, and to bring the parties to agreement so that life insurance policy holders can be protected and losses to the annuity holders are minimized.

97. **Continue the development of the single regulatory units in Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines in the area of non-bank supervision.** In Phase III, CARTAC provided TA in drafting of legislation for establishment of single regulatory units, addressed structure, independence, and governance policy recommendations, and developed technical expertise in insurance supervision. In Phase IV, technical expertise will be expanded to other areas of supervision responsibility, such as credit union supervision, the supervision of money services businesses, anti-money laundering, and the supervision of the off-shore sector.

98. **Continue to enhance insurance supervisory skills in the 20 Caribbean countries.** Phase III saw the building of insurance supervisory frameworks in most CARTAC member countries from ground zero. In Phase III, Insurance Acts were created and passed, regulatory reporting forms were implemented, and training was undertaken in off-site supervision and on-site examinations. CARTAC will continue, with the significant progress made in Phase III, into Phase IV by addressing TA needs in more complex areas of insurance supervision, such as (1) effectively understanding and assessing re-insurance risks at insurance companies, and (2) understanding and assessing actuarial valuation reports that are used to value the liabilities of insurance companies (a separate project will harmonize actuarial valuation standards in the region and negotiations will begin with the Caribbean Association of Insurance Companies in 2010). In addition, training needs to be undertaken in the area of licensing of insurance companies.

99. **For The Bahamas, CARTAC will assist in the implementation of a Market Risk Capital Charge Regulation and training in market risk.** The intended results will be that the banking supervisor can identify areas of high market risks in a particular bank and require that that bank hold extra capital to compensate for the market risk. As capital is more effectively measured in relation to risks, the more safe and sound is the bank. This same project has already achieved results in Belize, the Eastern Caribbean Central Bank, and Guyana.

100. **For the 20 CARTAC member countries, CARTAC is working with the IFC to set up credit bureaus in each country within the next four years and with the goal of a regional credit bureau as a single CARICOM market within ten years.** The IFC and CARTAC are in the process of drafting credit bureau legislation for the eight ECCU countries, Guyana, Belize, Trinidad and Tobago, The Bahamas, and Barbados. For Guyana, the legislation is already before Parliament. The development of credit bureaus will provide greater access to credit for more of the Caribbean population and will allow financial institutions to better assess risks in the consumer loan portfolio

Box 4. Possible verifiable indicators of success²⁰

- **Caribbean Regional Financial Stability Framework:** (1) the publication of a Caribbean Regional Financial Stability Report that clearly identifies areas of financial stability and potential financial stability in the region and (2) an Action Plan developed by the Head of Governments to address identified areas of potential financial instability.
- **Credit union supervision:** (1) a Financial Sector Assessment Report that indicates that credit union supervision in the CARTAC member country is effective for half of the CARTAC member countries, (2) the creation and passage of regulations by the national authorities in the one-third of the CARTAC member countries that set forth requirements for capital, asset quality, earnings, and liquidity measures of adequacy, and (3) an increase in the number of on-site examinations of credit unions to assess safety and soundness.
- **Development of bank stress-testing models in Barbados and Belize:** (1) in the case of Barbados, the use of the stress-testing results as a measure of banking soundness and risk identification in the Financial Stability Report scheduled for publication in 2011 and (2) in the case of Belize, the Financial Sector Assessment Report by the IMF or WB that indicates that the bank stress-testing model is part of the risk-based supervision process in Belize that allows for the directing of supervisory resources to the banks with higher risks.
- **The resolution of BAICO** in Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines: creation of a new company with a strategic investor to take over the liabilities of the failed BAICO and with policy holders being fairly treated in valuing their claims on BAICO.
- **Strengthening the single regulatory units** in Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines: Financial Sector Assessment Program Report that deems the supervision of non-banks in four of the eight countries as satisfactory and effective.
- **Strengthening skills of insurance supervisors:** the harmonization of actuarial standards via regulation in half of the CARTAC member countries by year-end 2013.
- **The implementation of the market risk capital charge in The Bahamas:** the publication of a regulation requiring that banks follow the rules set forth for creating a charge to bank capital based on market risk calculations.
- **The development of credit bureaus:** the physical establishment of credit bureau operations in four of the CARTAC member countries by 2013.

²⁰ See footnote 17

G. Agenda—Capital Markets Development

CARTAC—Previous Phases

101. CARTAC focuses on capacity building of the supervisory authorities for the development of capital markets, i.e. government securities and private stock exchanges: (i) preconditions, such as comprehensive and well-defined accounting principles; (ii) sound regulatory frameworks consistent with International Organization of Securities Commissions (IOSCO) principles; and (iii) market factors, such as the corporate ownership structure and the level of investor knowledge.

102. To achieve this mandate, CARTAC works through the Caribbean Group of Securities Regulators (CGSR), the group of supervisory agencies, and focuses on strengthening the capacity building efforts of this group.

Coordination with Development Partners

103. CARTAC collaborates primarily with the CARICOM (harmonization issues), the Toronto Centre (specialized courses), and the USSEC on conferences/workshops.

Phase IV—Country and Regional Objectives

104. Requirements in **The Bahamas, Barbados, the Dominican Republic, the OECS territories, Jamaica and Trinidad and Tobago** include upgrading securities legislation, improving securities supervision procedures, enhancing equity market surveillance, harmonizing regional legislation and oversight practices (including takeover codes), deepening corporate bond markets and enhancing investor education. Training and new product development, and establishing or strengthening venture capital provisioning, are also important requirements. Activities are at varying stages regarding the development of offshore or international financial centres, ranging from highly advanced in the Cayman Islands to the early stages in Barbados, The Bahamas, and Trinidad and Tobago.

105. **The Regional Integration of Operations and Caribbean Exchange Network (RIO/CXN)** initiative represents an important step towards the creation of a Caribbean Stock Exchange. The first phase, connecting the Barbados, Jamaican and Trinidad and Tobago exchanges in a common platform, is close to technical completion. However, it has highlighted a need for harmonization of securities laws. The second phase, connecting other Caribbean exchanges that are not on a common platform, will require assistance to expedite implementation. In addition, there is recognition of the need for regional harmonization in other areas. Prospectus and disclosure requirements, the regulation of market intermediaries, and the creation of common rules (for example, a common takeover and mergers code) are being considered within the CSME; consistent implementation of such rules is also required.

106. **Common challenges in the region are inadequate investor awareness or knowledge, and the lack of a capital markets “culture” among potential issuers and intermediaries.** Also of note is the continuing strong demand for technical training for regulators and other market participants.

107. **For the next five years, the focus will be on:**

- Improving securities regulation through drafting legislation, preparing simplified and transparent procedures, and training staff. Along with work in individual countries, CARTAC would harmonize objectives in areas ranging from technical issues (such as standardized identifying numbers for securities) to policies (such as creating a Caribbean Takeovers and Mergers Code).
- Formulating country and regional plans to enhance market depth and liquidity through more products, dealers, investment banks and institutional investors, integrating with the work of sub-regional and regional groups (such as the ECCB and CARICOM). Analyze obstacles to development and propose alternatives.
- Working with governments and CARICOM on a regional plan to promote: harmonized regulations and implementation, training, investor education, and business development. An initial focus would be to harmonize legislation and rules to support implementation of RIO/CXN.

108. CARTAC will continue to work closely with regulatory agencies, emphasizing regional approaches and solutions. Workshops and seminars that highlight regional issues through case studies could be undertaken. Hands-on TA would be provided through attachments and the use of short-term consultants, drawing on regional resources, where possible, and on partners within and outside the region.

Box 5. Possible verifiable indicators of success

- **Adoption of Takeover Code** for mergers across the region’s major securities jurisdictions (Trinidad and Tobago, Jamaica, Barbados, The Bahamas, ECCU).
- **Revised/modern legislation** for securities operations in the major jurisdictions (The Bahamas, Barbados, Jamaica, Trinidad and Tobago).
- **Harmonized rules to support RIO/CXN** among stock exchanges (Trinidad and Tobago, Barbados, Jamaica, The Bahamas, ECCU).

H. Agenda—Statistics

CARTAC—Previous Phases

109. Under Phase III, **TA in national accounts** was directed mainly on developing supply and use tables (including in Trinidad & Tobago, Bermuda, Barbados, and Belize), and on rebasing the national accounts series of ECCU member states, Guyana and Suriname (in Suriname, the development of quarterly national accounts is also an objective). TA was also provided for national accounts compilation activities in the Cayman Islands and Haiti.

110. **In price statistics**, many countries in the current program have been involved in conducting household expenditure surveys (HES), developing new market baskets, and revising their consumer price indexes (CPIs) to incorporate not only the new market basket but also improved methods and procedures.

Coordination with Development Partners

111. In partnership with other regional and international agencies, including the ECCB and the Fund HQ, CARTAC would continue to provide regional training workshops in national accounts, price, government finance, balance of payments, and monetary and financial statistics. CARTAC has observer status on the Standing Committee of Caribbean Statisticians (SCCS) and the CARICOM Technical Working Group on National Accounts; both fora provide for the coordination of regional activities and for the identification of regional training and TA needs.

Phase IV—Country and Regional Objectives

112. **With the strategic goal of enhancing the quality of macroeconomic statistics in the Caribbean**, CARTAC will continue to provide TA and training for improving national accounts, and external sector statistics (balance of payments, international investment position and external debt statistics). Starting in mid-2011, CARTAC will have two statistics advisors (national accounts and balance of payments statistics).

113. CARTAC will promote the use of internationally accepted concepts and statistical methodologies, helping countries to develop compilation and dissemination procedures in line with international standards and codes of good practices. Adherence to harmonized definitions, classification, and applications would ensure that country and regional activities support the integration objectives of the CSME, while meeting international requirements for data transparency and comparability.

114. Consistent with a modular delivery model for statistics technical assistance of the IMF, CARTAC can provide services under two macroeconomic statistics topics at any given time, selected from national accounts, price statistics, external sector statistics,

government finance statistics, financial sector statistics, and data dissemination. The areas of expertise of the two statistics advisors correspond to the selected module topics, since statistics advisors are expected to substantially independently manage and backstop TA modules in their areas of expertise. Headquarters staff in the IMF work with the advisors to develop annual work program proposals for the steering committee, and backstop the advisors. Advisors backstop the short-term experts hired to provide country-level technical assistance services under the respective modules. To initiate Phase IV, CARTAC will complete a price statistics module begun in Phase III due to end in the first half of 2011, continue a national accounts module initiated during Phase III, in July 2010, and initiate a new balance of payments statistics module around mid-2011, replacing the price statistics module.

National accounts module

115. CARTAC will continue to provide TA and training for improving national accounts. In addition to continuing projects implementing commodity flow supply and use methods, the key focus areas would include collecting all usable existing source data in national accounts, and coordinating with other providers of assistance on new survey and administrative sources. While maintaining robust programs for compiling and releasing GDP by production, work would begin on identifying or prioritizing production of indicators for quarterly GDP price and volume compilation and dissemination at the Union level. The annual national accounts rebasing to 2006 is expected to complete in the fall of 2010 for all ECCU member states, after which initial stages of work to rebase to 2011 should begin, to maintain a recommended interval between timely rebasings of no more than five years.

Price statistics module

116. The price statistics module continuing from Phase III into the first three months of Phase IV will establish and maintain underlying basic data collection; and promote use of good practices from international price statistics manuals on the CPI, PPI, and export and import price indices (XMPI).

Balance of payments module

117. In Phase IV, CARTAC will introduce a balance of payments statistics module aimed at assisting CARTAC countries in further developing and maintaining underlying basic data collections, and improving the frequency and scope of the international accounts (balance of payments and international investment position). A key focus of the module would be to assist CARTAC countries in implementing work programs for adopting the guidelines of the *Balance of Payments and International Investment Position Manual*, sixth edition (*BPM6*). The development of other high frequency indicators, including quarterly external debt statistics; and participation in the Fund's

Coordinated Direct Investment Survey (CDIS) and Coordinated Portfolio Investment Survey (CPIS) are also among the objectives of this module.

TA delivery and indicators of success

In Phase IV, delivery of statistics TA will follow a modular protocol. Each of the above modules will comprise a module manager (the statistics Resident Advisor), who will manage a TA program through the advisor's own delivery of technical assistance, and via short-term experts the advisor hires from the roster of experts maintained by the Fund. The topical scope of each module is limited to the expertise of the module manager, who will technically backstop the work of the short-term experts. In Phase IV, CARTAC will deliver TA in three topical areas—national accounts, price, and balance of payments statistics—each with its own module.

Box 6. Possible verifiable indicators of success

National accounts module

- Development and implementation of country strategies for adopting the SNA 2008 in the compilation of national accounts in all recipient countries.

Balance of payments module

- An increase in the number of countries compiling IIP statistics.
- Development and implementation of country strategies for adopting the *BPM6* in the compilation of balance of payments/IIP in all recipient countries.
- Improved coverage of the financial accounts, partly prompted by greater regional participation in the CPIS and CDIS.

Mitigating factors

118. **National statistical offices do not have multi-year statistical budgets and strategies for producing and updating their statistical programs on a regular basis.** With few exceptions, national statistical offices do not have the resources for undertaking comprehensive national economic surveys/censuses to benchmark and rebase their national accounts on a periodic basis (5-10 years).

119. **The availability of qualified human resources to keep the statistics program at a high level of efficiency and quality is also a major constraint.** Staff levels in national statistical offices are often not near those needed to collect and compile an adequate statistics program in national accounts. The competency varies widely across countries and time periods as do salaries and benefits. Many statisticians working in the statistical offices do not meet minimum requirements of academic preparation for their

positions. In some cases, statistical offices also may downgrade the positions to those of statistical assistants rather than using higher paid statistical officers. The end result is a hodge-podge of statistical competency across the region ranging from very high qualified and competent senior statistical officers to unqualified statistical assistants with minimal training or knowledge of statistical methods and theory.

120. **While central banks' statistical programs are comparatively well resourced, low statistical capacity continues to affect the quality of statistical outputs.** In most CARTAC countries, central banks compile annual balance of payments statistics, based largely on the Fund's *Balance of Payments Manual*, fifth edition (*BPM5*).²¹ Only two of the twenty CARTAC countries (Haiti and Jamaica) compile international investment position (IIP) statistics, and most countries do not compile comprehensive quarterly balance of payments statistics. Regional participation in international statistical initiatives such as the CDIS, CPIS, and the Quarterly External Debt Statistics (QEDS) remains limited. Participation in these initiatives would contribute to the development of IIP statistics, while enhancing the frequency and scope of the international accounts.

121. **Going forward, the sustainability of CARTAC's TA outcomes requires a review by recipient countries, of the current approach to statistical planning.** Notwithstanding the need to balance short and medium-term objectives, multi-year blueprints for maintaining and developing statistical programs should form the core of statistical offices' operations. These blueprints should inform budgetary and human resource decisions, and should be supported by coordinated regional strategies for building statistical capacity.

Box 7. Possible verifiable indicators of success

A rebased GDP annual constant price series, and the development of quarterly accounts (Suriname)

Upgrading, in collaboration with other development partners, the national accounts compilation system (Haiti)

²¹ In ECCU member states, balance of payments statistics are compiled jointly by the national statistical offices and the ECCB.

I. Agenda—Macroeconomic Programming Analysis

CARTAC—Previous Phases

122. This component originated from a request from the Eastern Caribbean Central Bank for TA to prepare home-grown stabilisation and adjustment programs across the ECCU. Following persistent fiscal deficits and rising public debt levels, CARTAC began a TA program with ECCU member countries in 2002 to develop, monitor and implement stabilization and adjustment programs aimed at achieving a set of fiscal/debt targets while also building capacity in macroeconomic policy analysis. A key aspect of the program has been to help countries build capacity at the level of both the ministries of finance and central banks to undertake consistent macroeconomic projections. CARTAC's Macroeconomic Adviser and consultants work with small teams across the ECCU to prepare macroeconomic projections under a baseline scenario, identify imbalances and quantify policy measures to address them, and prepare a framework to monitor the key quarterly targets of the program.

123. **During Phase III**, CARTAC focused its efforts on reengineering the work in the MAC area. This was a priority in light of the apparent weakening of the local macroeconomic policy teams in a number of countries and the subsequent loss of institutional capacity. Presently, the primary focus of the MAC program is to build capacity on a sustainable basis in macroeconomic analysis, forecasting and performance monitoring within the ministries of finance and central banks while providing assistance in the update of countries' macroeconomic framework to feed into the preparation of the budget. To date, capacity building exercises have been conducted throughout the ECCU, Belize and Suriname, while work in Trinidad and Tobago will commence shortly.

Coordination with Development Partners

124. Most of the work done in this area is bilateral given the nature of the capacity building focused on training, however, coordination with CDB, ECCB is not unusual.

Phase IV—Country and Regional Objectives

125. The region continues to feel the brunt of the global economic downturn, manifested in a decline in tourist arrivals, contraction in the level of remittances and lower inflows of Foreign Direct Investment (FDI), resulting in a fall in construction activity, a decline in real output and a worsening of the balance of payments. This, coupled with, the limited fiscal space of some member countries, have reinforced Governments commitment to a strategic approach to policy formulation in order to fulfill their respective development goals.

126. The crisis therefore presents an opportunity for members to utilize available resources from CARTAC to push their reform agendas. The MAC program seeks to improve the quality of macroeconomic management and macroeconomic management systems. These can complement regional governments' initiatives by improving capacity within countries to assess/analyze alternative scenarios on the economy and undertake macroeconomic diagnostic studies.

127. However, countries continued to be challenged by the existing institutional capacity, particularly the inadequate staffing of some ministries of finance. This, coupled with staff turnover and the lack of documented procedures related to the detailed work of constructing and implementing programs, compound the problem. Consequently, a huge void is created once officers are reassigned or leave the public sector.

128. Recognizing the implications of these for the sustainability and effectiveness of the MAC TA, some countries have established their own arrangements for improving structures and strengthening capacity. Countries without formal macro-policy units have formed local teams comprising officers from across the ministry of finance to work during MAC TA missions. This arrangement has been successful with each officer offering a different perspective to the exercise based on work experience and responsibilities.

129. Building sustainable capacity in macroeconomic programming and analysis cannot be achieved over a one-year period with a two-week annual exercises. Capacity to undertake this work can only be achieved over a number of years with the officers assigned to this task as part of the ministry's quarterly work program. Cognizant of this, the transfer of knowledge in some countries over the last Phase have met expectations though staff turnover continues to be one of the main risks of the program.

130. **Based on lessons to date drawn from the experience of the last three Phases, CARTAC will continue to work closely with member countries to address their respective demands and priorities.** Driven by the individual needs of members, the MAC TA program will cover the following three areas:

- **Macroeconomic programming:** During Phase IV, a number of follow-up missions aimed at building capacity in financial programming within ministries of finance and central banks will be organized. During the MAC missions, the CARTAC team will continue to work with small groups comprising officers from various departments within the ministries of finance that form macroeconomic policy teams. Under the guidance of the CARTAC Macroeconomic Adviser and short-term experts, local teams will prepare internally-consistent medium-term macroeconomic projections under baseline and active scenarios to take into account policy measures aimed at addressing their respective macroeconomic imbalances. More specifically, this work will also include assessing the implications of alternative policies on their respective

economies and enhance the teams' capacity to undertake macroeconomic diagnostic studies and their ability to design appropriate policy responses. The output of these TA missions will likely inform the process of formulating fiscal policies and hence the budget.

- **Macroeconomic analysis:** CARTAC will continue to work towards enhancing the analytical skills and professional development of regional economists through three initiatives: professional attachments, an internship program and capacity building exercises aimed at improving economic management through effective communication of macroeconomic policy and analysis. In addition, CARTAC will organize an Introduction to Economic Analysis workshop for media personnel, aimed at improving the coverage and communication of economic policy at the request of member countries.
- **Professional attachments** at Research Institutes will be organized for economists from ministries of finance and central banks. Attachments are expected to enhance the analytical skills of assigned officers, while providing an opportunity for them to work and undertake joint research projects and receive guidance from senior and experienced economists.
- **Internships:** In response to comments from members of the SC regarding the inadequacy of economics graduates in the region for operational work, CARTAC successfully collaborated with the University of the West Indies, Cave Hill Campus, to identify honors students for the internship program in 2008. The main objective of the program has been to enhance the analytical skills of the graduates and hence better prepare them for the workplace. To date, tangible results of this program are available, with most former interns either having been subsequently employed within member countries in the area of macroeconomics or having gone on to further their education in the area of economics. The internship program will continue into Phase IV.
- To complement the work in macroeconomic programming, CARTAC will continue to work with **local macro-fiscal teams** to build capacity in economic analysis and improving the effectiveness of analytical presentations.
- **At the regional level**, CARTAC will continue to collaborate with the IMF Institute (INS) to deliver two courses (i) Macroeconomic Management and Fiscal Policy Issues and (ii) Financial Programming and Policies.

Box 8. Possible verifiable indicators of success

- Updated macroeconomic frameworks for use by authorities (ECCU).
- Policy notes prepared by macro-fiscal teams on a quarterly basis (ECCU).
- High quality analytical papers prepared by central banks and ministries of finance following professional attachments (all member states).
- Establishment of macro-fiscal units in all member states.

J. Agenda - Macro-Fiscal Management

CARTAC—Previous Phases

131. CARTAC promotes a strategic approach to fiscal policy and public finance management generally. At a macro level this means the adoption of explicit sustainable medium-term fiscal targets and aligning revenue, expenditure and debt management policies to achieve these objectives. A comprehensive approach to fiscal risk management is another key element: in addition to central government operations there are other potential fiscal risks, for example, those related to national and public sector pension plans and those associated with state-owned enterprises or their guaranteed debt.

132. Macro-Fiscal Management (MFM) was formerly focused on the preparation of model-based fiscal projections and the preparation of Debt Sustainability Assessments (DSAs). Advocating to Ministries of Finance of member states that they should adopt a more strategic and holistic approach to fiscal management has become a priority activity. This engages both the MFM and PFM sectors. With the rising demand for MFM TA activities, it was felt that instituting the MFM sector would also help increase the focus of CARTAC efforts to help member states in its transition to a more comprehensive approach to the assessment and management of fiscal risks. This approach encompasses the shift to a medium-term approach to central government fiscal management, one anchored on sustainable fiscal targets and a consistent macroeconomic framework.

133. In the past, TA has focused on building the capacity of staff members to prepare base-case fiscal projections using more rigorous tools and processes, training to assess the sustainability of the fiscal projections, and assistance in the preparation of alternative, “Fiscal –Policy” scenarios encompassing measures to help secure a sustainable fiscal path over a medium-term horizon. Complementary TA activities were developed and have been delivered to strengthen the oversight of state-owned enterprises, to assess the sustainability of public pension plans and assess the quantitative aspects of alternative reform options, and to strengthen management of the public debt.

Phase III

134. CARTAC is supporting the setting up or strengthening of Macro-Fiscal Policy and Analysis Units (MFUs) in Ministries of Finance in Belize, British Virgin Islands (BVI), Grenada, Haiti, Suriname, and Trinidad & Tobago. Countries are at various stages of the implementation process. CARTAC interventions in this area are sometimes part of a broader coordinated donor-supported effort, but generally it is complementary to this effort. Close relationships with donors together with institutionalized coordination mechanisms enable this partnership. Increasingly, a role for CARTAC, including specific interventions, is integrated in the very design and scheduling plans of broader reform initiatives supported by development partners. In the MFM sector, continued close cooperation is envisaged with DFID in the delivery of an intensive TA effort to strengthen macro-fiscal management. Close cooperation with the EC in St. Vincent and the Grenadines (SVG) and Haiti, with the Dutch Government in Suriname, with the IADB in Belize, and with CIDA in the areas of debt management in ECCU member states. Coordination with the ECCB is envisaged also in the areas of pension reforms.

135. With CARTAC support, SVG is in the process of re-activating processes and strengthening the institutions mandated to oversee statutory bodies (state-owned enterprises); more robust reporting protocols are also being implemented. This is an integral element of a broader public finance management reform initiative aimed in part at better assessing and managing fiscal risks.

136. With sustained CARTAC support, Montserrat is in the process of reforming its public sector pension plan to make it fairer, more sustainable and to integrate it with its National Social Security Plan.

Coordination with Development Partners

137. **CARTAC involvement is intended to be part of a broader coordinated donor-supported effort, or complementary to this effort.** Increasingly, a role for CARTAC, including specific interventions, is integrated in the very design and scheduling plans of broader reform initiatives supported by development partners. In the MFM sector, continued close cooperation is envisaged with DFID in the delivery of an intensive TA effort to strengthen macro-fiscal management. Close cooperation with the EC in SVG and Haiti, with the Dutch Government in Suriname, with the IDB in Belize, and with CIDA in the areas of debt management in ECCU member states. Coordination with the ECCB is envisaged also in the areas of pension reforms and strengthening Debt Office functions.

Phase IV—Country and Regional Objectives

138. Key objectives for the MFM sector are to sensitize the leadership team in the Ministry of Finance (MoF) to the need to transition from a single-year, “bottom-up”

approach to a multi-year, top-down, integrated target-based approach; and to support them during this process. This may involve establishing macro-fiscal policy units where feasible. As required, an intensive TA effort is proposed to strengthen the capacity of these units to produce internally consistent macro-fiscal projections, to advise the leadership on appropriate target values for the principal fiscal aggregates – debt and deficits, the revenue yield and the expenditure effort, to carry out in-depth analyses of in-year budget execution to explain the variances in revenue, expenditure, and financing flows from plans, and to carry out the required supporting - data management, model-building, and report writing - activities. In the absence of MFM units, an informal group of well-performing economists and analysts may be constituted, drawn from organizations engaged in various aspects of macro-fiscal management, forecasting and data production. The group may be convened a few times a year, including during MFM training activities.

139. **Planned MFM TA activities will continue to focus on the production of key fiscal outputs – model-based, judgement-augmented revenue projections; medium-term base-case fiscal projections and a MTFF; DSAs and the development of sustainable debt targets.** Complementary activities are also envisaged: mentoring of these units or informal groups; assistance in the preparation of macro-fiscal budget documents or budget execution analyses; etc. TA to help member states better assess and manage other sources of fiscal risks – more particularly those associated with state-owned enterprises (SOEs) and with national and public sector pension plans – is also planned.

140. In 2009, a number of members approached CARTAC with requests for TA, following the increased incidence of unplanned cash infusions or other forms of bail-outs required by their state enterprises, following the economic downturn. In response, CARTAC began to offer **structured TA intended to strengthen the capacity of MoFs to carry out a more proactive and effective oversight of state enterprises** in their country, including through the imposition of stronger reporting requirements on SOEs. As SOEs remain a major source of fiscal risk in many states, continued strong demand for this type of TA is anticipated. The possible requirement for additional TA modules, to better address members' needs in this area is recognized.

141. **In the area of national and public sector pensions,** in addition to a joint conference organized with the ECCB in mid-2009, CARTAC has assisted member states to develop, cost, and assess the implications of alternative options for national and public sector pension reforms; and to prepare the documents that permit the results and recommendations to be presented to the leadership team in the MoF for consideration and communications. It is expected that this work will continue over the next few years as more member states realize the need for reforms in their countries' plans. Following strong interest expressed by participants when they were canvassed at the end of the Pension conference in 2009, in late 2009 and early 2010 CARTAC developed a

quantitative public pension reform workshop. It aimed to provide officials in MoFs and managers of national and public sector pension plans with a better understanding of how actuarial assessments and other quantitative estimates are prepared: the key drivers and dynamics; the sensitivity of the results to changes in key assumptions, or policy variables, Through this process it is hoped that they will acquire a solid framework and the confidence to apply it as they analyze pension plans and the need for reforms in their jurisdictions.

142. **Assistance with the preparation of DSAs and the articulation of sustainable fiscal targets will be complemented with TA focused on strengthening debt strategy and management capacity and the institutions carrying out Debt Office functions in member states.** A five-element program was developed early in 2010. It encompasses activities aimed at strengthening institutions involved in Debt Office functions and sharing good practices and facilitating networking among practitioners; and workshops focused on analyses of particular types of debt instruments and of overall debt portfolios, and focused on strengthening negotiations skills of front office officials.

143. **At the regional level,** CARTAC will continue to support training seminars, conferences and workshops focused on strengthening fiscal management capacity of member states and of the institutions involved. Given their linkages and complementary nature, some activities will be carried out jointly with the PFM sector: for example, conferences of senior MoF executives (Permanent Secretaries (PS)), Financial Secretaries (FS) , Directors of Finance, Budget Directors and Heads of Debt Offices) to share good practices in the region and internationally and to facilitate networking among regional executives.

Box 9. Possible verifiable indicators of success

- Adoption of Medium-Term Fiscal Frameworks (MTFF) and effective budget execution analysis in all CARTAC countries.
- Viable and sustainable fiscal targets, policies and strategies and results of Debt Sustainability Analyses are set out in Budget documents.
- Published debt strategies, sound Debt Management practices and stronger debt management offices in all member states.
- Establishment of MFM units or strengthened MFM functions in all CARTAC countries.
- Strong SOE oversight capacity in all countries helps contain attendant fiscal risks; and aggregated quantitative assessment of fiscal exposure to SOE liabilities taken into account in budget planning process and budget documentation.
- Public pension reform strategies implemented where warranted, and sustainability is reflected in improved actuarial assessments.

K. Resource Needs and Budget

144. **CARTAC would be managed from February 1, 2011 onward under the Fund's new financing instrument. Its budget for the next five years is US\$62.2 million.** To provide assurance and stability for the Center's operations, financing would need to be secured in advance for the entire five-year period. The budget would be shared by the IMF, the host country, recipient countries and donors.

145. **The Fund's new financing instrument – the “Framework Administered Account for Selected Fund Activities” (the “SFA Framework Account”) – differs from the arrangements seen under Phase III.** In response to the demands of the IMF's members, and approved by the IMF's Executive Board, this instrument was designed to enable the Fund to charge for the full direct costs of the delivering of TA (the Fund only recovers costs that are actually incurred), not only that of the Resident Advisors, short-term experts, seminars, and administrative costs. The notable changes that this has on the budget for Phase IV is an increase in the costs of the TA that is delivered through CARTAC, as it now contains the project management and backstopping costs associated with the costs of CARTAC's Resident Advisors and short-term experts. Additionally, the subaccount now allows to add diagnostic missions that are critical in devising CARTAC's overall TA strategy as well as informing the workplan and operations of CARTAC. In Phase III, all of these costs had to be absorbed by the IMF. The change in the TA costing model allows the Fund to respond to demands from recipient countries all over the world to expand existing RTACs and create new RTACs without crowding out other activities. Without the new model, and in light of the Fund's restructuring, the Fund would have had to reduce its TA activities and decline requests from regions to open new RTACs, which would have amounted to unfair treatment of its members. Annex VII describes in greater detail the activities defined by Project Management, Backstopping, Trust Fund Management and Diagnostic Mission.

146. **The proposed budget envisages:**

- Ten resident advisors with focus on the six core areas. The total number of advisors is expected to decrease to eight by year four of Phase IV.
- Short-term expert missions, which would complement CARTAC's resident advisors' work. As is already practice, the Fund would seek to hire regional experts as much as possible, which would foster an environment of peer review, be cost effective, and maintain CARTAC's character as a regional center.
- Essential HQ-led diagnostic interventions, reflecting that these missions are a critical complement to CARTAC in designing strategic advice, which goes hand-in-hand with CARTAC assistance in implementing this advice. The diagnostic missions would include Resident Advisors and short-term experts.

- Training on macroeconomic, fiscal, public financial management and financial issues as currently exists
- Backstopping and project management from IMF HQ.²² Although the previous phases (in common with other RTACs) did not enable recovering costs for these specific activities, it is estimated that approximately \$4.1million in backstopping and project management costs were incurred by the IMF in Phase III. The IMF now charges for backstopping and project management costs, to cover the quality control and management of TA, as well as the monitoring of the results-based management and the implementation of the IMF's new Dissemination Policy. In the case of CARTAC, any underspent balances on backstopping and project management will be applied to increase CARTAC's workplan.
- A mid-year evaluation.

²² See <http://www.imf.org/external/np/pp/eng/2009/090109A.pdf> on the activities defined as backstopping and its value added. Project management is administrative work related to managing experts (such as managing recruitment, contracts, travel and expense reports) and budgets.

CARTAC Budget Estimate
January 2010-December 2015

	In U.S. Dollars
<u>Office coordination and administration</u>	5,474,544
Staff	3,729,609
Lease*	625,000
Travel	-
Miscellaneous, including security, translation, communication	1,119,935
<u>TA and training (by activity)</u>	52,593,886
10 Resident Advisors TA Delivery	17,327,201
Salaries	14,077,765
Travel Costs	3,249,437
Short-term Expert TA Delivery (124 months of delivery per year)	22,154,288
TA Seminars	6,499,749
Training on Macroeconomic and Financial Issues	500,000
Diagnostic Interventions	829,720
Backstopping and Project Management	5,282,928
<u>TA and training (by TA area)</u>	51,464,238
Public Financial Management	7,032,946
Revenue Administration	7,594,846
Macro Fiscal Operation	4,564,397
Customs Administration	4,698,533
Value Added Tax	4,280,243
Financial Sector Supervision	5,874,611
Capital Market	5,837,300
National Accounts	4,309,883
Balance of Payments	4,309,882
Macro-economic Analysis	2,961,596
<u>Evaluation</u>	310,000
<u>Trust fund management</u>	3,856,610
<u>Total</u>	62,235,040
* Estimate.	
¹ Levied on activities funded by the multidonor subaccount (almost all of which is for direct TA and training).	
Source: Office of Technical Assistance Management.	

CARTAC Operations and Financing, 2008-2015				
	Revised Phase IV - 9/22/10		Revised PHASE III (9/22/10)	
	5 Years	Annual Avg	3 Years	Annual Avg
Field TA providers	37,061,772.7	7,412,354.5	19,771,065.0	6,590,355.0
Long-term advisors	14,077,764.7	2,815,552.9	7,419,256.1	2,473,085.4
Short-term experts	22,154,288.0	4,430,857.6	12,351,808.9	4,117,269.6
Diagnosing experts (IMF/HQ staff time)	829,720.0	165,944.0		
Seminars	6,499,748.7	1,299,949.7	5,298,961.4	1,766,320.5
-Participants (CARTAC)	5,000,000.0	1,000,000.0	5,272,829.6	1,757,609.9
-Workshop materials (CARTAC)	145,000.0	29,000.0	26,131.8	8,710.6
-IMF/HQ staff	1,354,748.7	270,949.7		
Staff time(FAD, MCM, STA & INS)	954,275.7	190,855.1		
Staff travel (FAD, MCM, STA & INS)	400,473.0	80,094.6		
Professional attachments	500,000.0	100,000.0	306,689.7	102,229.9
Other travel	3,249,436.7	649,887.3	1,385,407.9	461,802.6
Regional travel advisors/staff	2,500,000.0	500,000.0	1,385,407.9	461,802.6
IMF staff travel (Diagnostic, Installation & SC)	749,436.7	149,887.3		
Local administration	4,724,355.0	944,871.0	2,614,632.1	871,544.0
Center coordinator (in-kind: IMF)	2,659,000.0	531,800.0	1,423,470.0	474,490.0
Local Support Staff	1,440,355.0	288,071.0	891,162.1	297,054.0
Facilities (in-kind: host country)	625,000.0	125,000.0	300,000.0	100,000.0
Other	750,000.0	150,000.0	429,456.2	143,152.1
Miscellaneous/office communication	750,000.0	150,000.0	361,155.5	120,385.2
Project equipment	0.0	0.0	68,300.7	22,766.9
Evaluation	310,000.0	62,000.0	307,604.6	102,534.9
Other indirect cost of delivery	5,282,928.0	1,056,585.6		
Backstopping	3,380,435.4	676,087.1		
Project management (expert + general mgmnt)	1,902,492.6	380,498.5		
Other fees	3,856,610.0	771,322.0	4,358,383.8	1,452,794.6
IMF/TTF management (7 percent)	3,856,610.0	771,322.0		
IMF administration (10 percent)			2,811,171.3	937,057.1
UNDP administration (5 percent)			1,547,212.5	515,737.5
Total cost *	62,234,851.1	12,446,970.2	32,748,730.8	10,916,243.6
Financing	62,234,851.1	12,446,970.2	32,748,730.8	10,916,243.6
In-kind	656,800.0	131,360.0	1,757,815.0	585,938.3
IMF	2,659,000.0	531,800.0	1,423,470.0	474,490.0
Host country	625,000.0	125,000.0	300,000.0	100,000.0
CDB			34,345.0	11,448.3
Cash	61,578,051.1	12,315,610.2	32,978,985.0	10,992,995.0
Donors			28,912,841.0	9,637,613.7
UNDP			200,000.0	66,666.7
Interest			479,806.0	159,935.3
Carry-over from previous phase			3,386,338.0	1,128,779.3

* Differences in total cost in this and other tables are due to rounding

147. **Besides its financial contribution, the IMF provides and finances internally institutional support to ensure focus and targeting, quality and consistency in the delivery of assistance for which it does not charge.** The combined responsibilities of the Committee on Capacity Building, the WHD and the TA Departments constitute an institutional support framework for TA project delivery in the field. All projects, whether internally or externally financed, whether delivered by HQ or by CARTAC, are supported equally by this framework.

- The IMF’s **Committee on Capacity Building** is responsible for organizing and strategically managing capacity building efforts. This top level committee consists of Fund management as well as senior staff from area and functional departments. It meets regularly to: (1) discuss broad strategy for reports on standards and codes (ROSCs), TA and external training programs in advance of the preparation of these programs, (2) approve the proposed programs following approval of the IMF’s overall budget, (3) review the programs mid-way through the budget year, and (4) discuss relevant policy issues as needed (e.g. on evaluation, systems, approaches to delivery, etc.).
- **WHD** has a major role in institutional support with a prime responsibility for determining and prioritizing TA in a dialogue with country authorities. This role is exercised through preparing the RSN; monitoring and peer review; engaging in following up on TA recommendations.
- **The TA Departments, including OTM,** are responsible for many activities that support the eventual delivery of TA projects in the field, and serve to ensure TA is at the desired level of quality. These activities include the following:
 - developing policy- each TA Department develops policies. For instance, departments are involved in the development of international norms and standards or, as a department specific example, the Fiscal Affairs Department (FAD) has developed policies related to tax and tariff structure, tax and customs administration, and public financial management;
 - the Statistics Department serves as the international standard setter for statistical methodologies in the areas of balance of payments, government finance, monetary and financial statistics as well as for data dissemination standards;²³

²³ The Special Data Dissemination Standard (SDDS) and the General Data Dissemination System (GDDS).

- preparing technical notes - each TA Department prepares technical notes, field manuals, and other guidance for its staff and experts. These documents cover a broad range of topics within the respective speciality areas and often result in formal publication;²⁴
- conducting research - all TA Departments carry out research, often resulting in the publication of IMF papers or other documents which are generally available on the IMF web site;
- evaluating TA – staff regularly review Fund TA.²⁵ In July 2002, the Executive Board established the TA Evaluation Program, in which three to four evaluations a year are presented to the Board,²⁶ and TA departments explain how they apply lessons learned from these evaluations. In 2005, the Independent Evaluation Office (IEO) also evaluated TA, paying special attention to its relevance and effectiveness and how to enhance ownership.²⁷ TA departments generally self-assess completed, externally financed projects, and there are also independent evaluations of TA delivery through assessment visits to countries, particularly intense TA users, to distill policy lessons.²⁸

148. **Barbados has been host country to CARTAC since inception.** This arrangement has worked well and the Barbadian government continues to provide excellent support to CARTAC in the form of accommodation (office facilities and utilities). This in-kind contribution by Barbados is very much appreciated and recognized by all SC members, CARTAC and IMF staff.

L. CARTAC's Sustainability

149. **Continued strong commitment of beneficiary countries will be critical for CARTAC's success.** Without this, no lasting results will be achieved. It is therefore expected that beneficiary countries continue to increase their ownership of CARTAC's

²⁴ There are a great many examples, including: *Changing Customs: Challenges and Strategies for the Reform of Customs Administration*, Editor Michael Keen, 2003; and *The Modern VAT*, Ebrill, Keen, Bodin and Summers, 2001.

²⁵ The last review was conducted in 2004, "Review of TA" (<http://www.imf.org/external/np/ta/2004/eng/021704.htm>).

²⁶ See <http://www.imf.org/external/np/pp/eng/2008/040408.pdf> on the most recent evaluations.

²⁷ IEO Report (http://ieo-imf.org/eval/complete/eval_01312005.html).

²⁸ Examples of past evaluations and studies include a review of TA on Large Taxpayer Units (2002), an evaluation of public expenditure management TA to Anglophone WHD countries (2004) (reported in <http://www.imf.org/external/np/ta/2004/eng/030104.htm>), and a study of the integration of tax and social security contributions (2004).

assistance and drive project implementation by, *inter alia*, appointing senior-level government officials as SC members. As currently practiced, CARTAC beneficiary countries may be approached to assist with administrative and logistical support for in-country training activities and other CARTAC events.

150. CARTAC beneficiary countries will be encouraged to contribute a larger share to the CARTAC budget over Phase IV. Voluntary contributions from CARTAC members in Phase IV will be at the following levels: \$20,000 (2011), \$50,000 (2012), \$80,000 (2013), \$100,000 (2014), \$100,000 (2015). In total, USD7 million will be contributed by member countries to the CARTAC budget. Without these increases, CARTAC will be unable to establish a platform for future sustainability.

151. Given the long-term nature of building human and institution capacity, it is expected that CARTAC will continue to depend on external funding beyond this Phase. CARTAC will continue to place strong emphasis on “training the trainers” so as to build up regional expertise and prepare for an eventual exit strategy. The IMF will also continue to expand its roster of regional experts.

152. TA operations will, as much as possible, be located within regional initiatives. By ensuring that TA is responding to the articulated demands of CARTAC members and framing interventions in the context of regional mechanisms, the likelihood of advice being taken up increases. It also makes it more likely that other partners can carry on support in a similar vein.

153. Professional groups will move towards a self-sustaining basis. The professional associations established by CARTAC (including for example CAPFA, the CBGRS, CAIR and others) have proved to be a valuable means of sharing experiences and developing regional strategies to address common problems (see Box 1). At present, however, most associations rely on CARTAC funding for both operations—their strategic meetings, and capacity building. CARTAC considers this funding to have been an effective investment in increasing the ability of regional bodies to assist each other. Over the next funding cycle, CARTAC aims to convince associations to be able to fully fund their own basic governance costs and to direct all its funding to the associations to direct capacity building. CARTAC advisors would continue to act as the main technical advisors to these groups. It is hoped that other development partners would increase their use of these groups as venues for discussing policy issues and for delivering training and focused TA (this has already occurred in the PFM area with IADB).

154. CARTAC will continue to make greater use of Caribbean expertise. The regional groups and intensified pursuit of common approaches across groups of countries will provide opportunities to increase the use of country officials to assist other agencies. CARTAC has increased its use of this model, with prevalent use of attachments. These either take the form of CARTAC member country officials spending time in another

regional country that has undertaken similar reforms or using the experience on a TA mission to a country about to embark on a similar reform. However, CARTAC will remain conscious that the capacity to do this is limited given the small public administrations of CARTAC members. The front line of technical assistance will continue to be based around experts on the IMF's roster to ensure that CARTAC members receive the best possible international expertise.

155. **CARTAC will continue to help countries adopt a common approach to common problems.** The Caribbean is a diverse region and it would be foolhardy to assume that an approach developed in one country is automatically applicable in others. Nevertheless, many countries in the region are facing similar problems; a common approach to solving them can yield economies of scale in terms of analysis and technical assistance. If a number of countries adopt the same approach it can also increase the chances of sustainability as countries can support each other over time.

156. **The issue of sustainability of CARTAC's operations will form part of the TOR of a mid-cycle external evaluation.** The IMF and CARTAC are conscious of the challenging external funding environment, and aware that at the end of Phase IV funding environment is likely to be equally challenging. Throughout Phase IV, the following will be critical in providing a basis for future sustainability:

- maintained focus on train-the-trainer methodologies and sustainability of regional groups,
- maintained focus on working through existing regional organizations,
- increased focus on using Caribbean expertise to deliver TA,
- increased financial contributions from CARTAC member countries, and increased levels of administrative and logistical support for training activities and other CARTAC events.

157. **The size and scope of CARTAC will be carefully managed to ensure that by the end of Phase IV, CARTAC is on a more sustainable footing.** Beyond Phase IV, the sustainability of CARTAC rests in the hands of CARTAC members. If CARTAC succeeds in addressing the longer term capacity needs of its members, overall demand for TA will slowly decline, ultimately leaving CARTAC smaller and even more focused on the gaps that remain. Although, at this point, there seems little appetite amongst the region for an additional regional organization, the reputation and results of CARTAC should ensure that it maintains a role in the region in the years following Phase IV.

IV. CARTAC GOVERNANCE, OPERATIONS, VISIBILITY AND FINANCIAL MANAGEMENT

A. Governance

158. **CARTAC is guided by the SC that consists of representatives from recipient countries, donors and the IMF. The SC provides strategic guidance to the Center and assists in setting its priorities.** It also provides input on the topics to be covered by the team of resident advisors and short-term experts, and endorses the Center's work plans. The IMF informs the SC on the selection and hiring of resident Advisors.

159. **The SC will move to annual meetings.** The SC is chaired, on a rotating basis, by a principal representative of one of the beneficiary countries (e.g. Central Bank governor). Observers to the SC are permitted, including interested partners or other TA providers²⁹.

B. CARTAC Operations

Work Plan

160. **CARTAC's annual work plan is developed in consultation with member countries with inputs from other key stakeholders, including the CARICOM Secretariat and within the context of the IMF's TA prioritization processes, managed through the RSN for WHD and the RAP.** This process takes into account each beneficiary country's macroeconomic reform strategy. The CARTAC's continuous dialogue with member countries provides a basis for the identification of key capacity-building needs in each country concerned. Drawing on this, TA priorities are determined and detailed country TA programs are formulated jointly by CARTAC and IMF HQ. 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 the planned TA.

161. **Given the limited resources available to the Center, a main prioritization criterion in determining the work plan is each beneficiary country's record in making effective use of TA previously received.** Peer review among the country representatives on the SC should, therefore, reinforce cooperation, accountability, and the effective use of resources.

162. **CARTAC's work plan consists of individual country TA programs, which may form part of broader regional projects.** The CARTAC Coordinator seeks strategic guidance from SC members on the work plan, prior to seeking their formal endorsement.

²⁹ CARTAC has two observers on the SC, the OECS Secretariat and CARICAD.

At each SC meeting, the CARTAC Coordinator delivers a monitoring report on the progress of the activities outlined in the workplan, as well as a financial status report relative to the budget.

Center Coordinator

163. **CARTAC is headed and managed by a Coordinator.** The Coordinator is responsible for the day-to-day management of CARTAC and its operations, under the strategic guidance from the SC and general oversight from the IMF. In consultation with the SC, WHD, TA Departments and the Office of Technical Assistance Management (OTM), the Coordinator formulates CARTAC's work plan and monitors its implementation. The Coordinator also serves as secretary to the SC. The Coordinator is appointed and supervised by the IMF with OTM having an oversight role over CARTAC.

Staff

164. **CARTAC's staff comprises a number of resident Advisors³⁰ in each of the relevant TA areas, office support personnel, and a pool of short-term experts for specific assignments.** The IMF's TA departments are responsible for selecting and hiring CARTAC resident advisors, usually through 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 the latter's roster of qualified experts, and are backstopped (see also section on quality control) by the IMF.

165. **The IMF will continue to select CARTAC staff, in consultation with the SC.** As is the practice, all forthcoming resident advisor vacancies at CARTAC will be reported to the SC. The IMF will also report to the SC regarding short-listed candidates and the person selected for the advertised position. In all recruitment of experts, due consideration will continue to be given to suitably-qualified candidates from the region. Support staff positions will be filled locally.

Accountability

166. **CARTAC is designed and operated to ensure that IMF TA is delivered in a manner that is responsive and accountable to the recipient countries.** CARTAC must also meet and maintain the high-quality standards that are expected of IMF TA. The IMF's recently revised dissemination policy³¹ on TA reports will further improve accountability and facilitate coordination. Under the new policy, TA reports may be

³⁰ As of April 1, 2010, CARTAC had 10 long-term adviser positions.

³¹ See <http://www.imf.org/external/np/pp/eng/2009/040609.pdf>.

shared with 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 non-CARTAC donors will be determined on a case-by-case basis based on whether the donor in question has a legitimate interest in the TA report in question, perhaps due to its engagement in related activities in the recipient country. To enhance coordination, the SC members will also receive information, which flags the need for any complementary TA.

167. **It is a core objective of CARTAC that the activities of the Center reflect the ownership and commitment of its members.** This helps to ensure the continued effectiveness and sustainability of the TA delivered. This demand driven model has been in effect since 2001 and proves to be successful in maintaining buy-in from all stakeholders, beneficiaries, benefactors, and CARTAC staff.

168. **As outlined throughout this document, the inputs of beneficiary countries are sought at various stages of the work planning and operations of CARTAC:** during surveillance (“Article IV Consultations”) and diagnostic missions that inform the TA planning process by WHD and TA Departments in their preparation of TA strategies, and through the input and oversight of CARTAC’s SC.

169. **CARTAC will further strengthen its results-based management system to track the implementation of its TA projects and activities in each country.** This monitoring of TA project implementation against pre-determined objectives and indicators will ensure the delivery of timely and effective TA. The results-based management will serve to provide consistency, coherence, and predictability in the planning and execution of CARTAC TA. Monitoring reports further increase the accountability of TA to country authorities, donors, and other TA providers.

170. **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.

Quality Control

171. **Maintaining the quality of the TA advice and activities delivered by CARTAC is the responsibility of the staff at IMF HQ and at CARTAC itself.** This process begins when the TA Departments screen and appoint CARTAC’s resident advisors from a pool of vetted experts. 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 the mission. An important part of the backstopping at this early stage is the strategizing and sequencing of TA, to ensure that

TA missions and outcomes build the capacity of the recipient country in a cumulative and logical manner. Throughout the mission of short-term experts and the stay of the Resident Advisors, the TA departments provide supervision and support. This is a dynamic and fluid process that can take a number of forms.

172. **TA departments review and authorize the TA reports produced by the resident advisors.** Further, WHD and TA departments work with country authorities to ensure follow-up on the recommendations of TA missions. Country authorities also provide feedback on the value and efficacy of the TA received. At all stages of each TA mission, the backstopping ensures the consistency and quality across countries.

173. **The CARTAC Coordinator provides an additional layer of quality control of the TA in their management of the day-to-day operations of CARTAC, and given their close relationship with the country authorities.** As Coordinators are also present in country for longer periods, they can monitor the progress of beneficiary countries in implementing reforms that are supported by CARTAC.

Evaluation

174. **It is proposed that, after no fewer than three years of operation, an independent external evaluation of the work of CARTAC be carried out by a team of independent experts.** The evaluation will assess CARTAC's effectiveness and sustainability and of its TA, bearing in mind the long-term nature of capacity building. The evaluation will formulate recommendations for improvement. The findings of the evaluation will inform discussions on CARTAC's future operations.

C. Visibility for CARTAC and Donors

CARTAC Publications and Website

175. **CARTAC publishes an annual report.** The report details the work undertaken by the Center, and reports on the progress toward the planned objectives and outcomes.
176. **CARTAC publishes a quarterly newsletter - CARTACNEWS.**
177. **CARTAC maintains two websites www.cartac.org and www.financialliteracycaribbean.org , providing regular updates on its operations and financial literacy, respectively.** The websites serve as part of the public face of the Center. In particular, they foster coordination with other TA providers, including by providing information on specific issues, countries and resource material on ongoing basis.

Visibility for Donors

178. **The names or logos of all of the donors supporting CARTAC are to be displayed on reports** and information produced by the Center as well as the letter head of official correspondence of the Center, where appropriate.
179. **Where relevant and necessary, press releases may be issued to inform the public at large on CARTAC's work and accomplishments** (e.g., at the end of selected seminars). Donors and beneficiary countries will be invited to participate.

D. Financial Management

180. **Contributions from donors and recipient countries will be made into a multi-donor CARTAC Subaccount to be established under the IMF's Framework Administered Account for Selected Fund Activities (SFA).**³² This Subaccount will be used to receive and disburse financial contributions for the Center's activities; all resources contributed to the Subaccount will be for the sole use of CARTAC.
181. **The basis for the financial arrangements between donors and the IMF will be a letter of understanding establishing the purposes of the contributions related to this program document and subject to the terms and conditions of the subaccount, as well as the SFA framework instrument.** The IMF undertakes the trust fund

³² See <http://www.imf.org/external/np/pp/eng/2009/030409.pdf>.

management for all contributions in accordance with its financial regulations and other applicable IMF practices and procedures.

182. **The IMF will provide donors with reports on the Subaccount's expenditures and commitments through the "Donor Gateway", a secure external website.** Separate reporting on the execution of CARTAC's budget will be provided at each SC meeting. Costs will be charged on an actual basis.³³ 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. CARTAC is also subject to audits by the IMF's internal audit office.

183. CARTAC is an IMF office. It complies with IMF procurement practices.

³³ See <http://www.imf.org/external/np/pp/eng/2008/040308a.pdf>. Staff cost will be charged at the midpoint of the standard cost of the grade of staff members plus the relevant benefit factor, contractuels 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 at actual cost.

ANNEX I. MAJOR OUTCOMES SUPPORTED BY CARTAC

Capacity building is a joint effort of the many donors and TA providers that are active in the region. Below are examples of results achieved in CARTAC countries, where CARTAC was engaged and contributed to these achievements.

Revenue Administration

- Development of Corporate Strategic Business Plans for revenue administrations (Barbados, Belize, British Virgin Islands, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines).
- Development of tax audit reform programs (Belize, St. Kitts and Nevis and St. Vincent and the Grenadines).
- Development of tax collections enforcement reform programs (Belize, Grenada and St. Kitts and Nevis).
- Development of project plans and policy and administrative papers to support VAT implementation in Grenada, St. Kitts and Nevis, St. Lucia and Suriname
- Development of decision support guidelines for the establishment of revenue authorities (for all member countries).
- Introduction of standardized and harmonized operational procedures, work processes and technical support manuals to customs administrations (Barbados, Belize, Dominica, Grenada, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines).
- Development of new Customs Management legislation (Barbados, Belize, Dominica, Grenada St. Kitts and Nevis and St. Vincent and the Grenadines).
- Introduction of risk-based customs compliance management (Belize, Dominica, St. Lucia, St. Kitts and Nevis and St. Vincent and the Grenadines).
- Introduction of risk-based tax audit file selection (Belize, Dominica and St. Vincent and the Grenadines).

Public Financial Management

- Development of country-led PFM reform action plans (Antigua and Barbuda, Dominica, Grenada, Montserrat, St Lucia, St Kitts & Nevis, St Vincent & the Grenadines, Suriname).

- Developed a practical cash management model to support daily, weekly and monthly reporting on the cash position of the government. The reports from the model are used by the government's liquidity committee to inform key decisions regarding future cashflows (Anguilla, St Kitts & Nevis and St Vincent & the Grenadines).
- Developed an automated bank reconciliation process, eliminating cumbersome manual processes. The process identified a range of transactions where the accounting treatment was incorrect, resulting in an improvement in the quality of accounting and financial reporting (Antigua & Barbuda and St Vincent & the Grenadines).
- Improved budget preparation (Antigua & Barbuda, Grenada, and St Vincent & the Grenadines).
- Provided advice regarding the adoption of the International Public Sector Accounting Standard on a Cash Basis (Anguilla). In 2009, Anguilla presented its 2008 annual financial statement in accordance with IPSAS.
- Creation of more independent internal audit functions in government (Anguilla and St Vincent & the Grenadines).
- Improving financial reporting and enhancements to charts of accounts, particularly in relation to deriving GFS 2001 and CoFoG reports (Antigua and Barbuda, Belize, Grenada and St Vincent & the Grenadines).
- Improved capacity for auditors to conduct activities in accordance with international internal auditing standards through the development of a regional Internal Audit Manual and delivery of related training and mentoring (Anguilla, Bahamas, Barbados, Belize, Bermuda, Cayman, Dominica, Grenada, Jamaica, St Kitts & Nevis, St Lucia, St Vincent & the Grenadines and Suriname).
- Enhanced capacity of the Caribbean Public Finance Association (CAPFA) to undertake a lead role in PFM reform in the region.
- Improved PFM laws and regulations (Dominica and St Vincent & the Grenadines).

Financial Sector/Capital Market Development

- Insurance supervision supervisory frameworks have been adopted by the OECS, which include new legislative frameworks and the implementation of off-site supervision, on-site examinations, and corrective action when problems are identified.
- The Central Bank of Trinidad and Tobago adopted a consistent liabilities valuation methodology for the insurance industry, instituted a capital adequacy framework for

insurance companies, and built an insurance actuarial infrastructure to ensure consistent insurance regulatory reporting for the insurance supervisors.

- Legislation developed to enable the establishment of a credit bureau in Guyana is before Parliament under a joint credit bureau initiative between the IFC and CARTAC.
- Establishment of Single Regulatory Units in the ECCU (eight countries) that are responsible for the supervision of non-banks.
- Bank stress-testing models developed and used in Guyana, The Bahamas, the Eastern Caribbean Central Bank (ECCU), and Trinidad and Tobago.
- Raised the level of awareness of the importance of Governments, Central Banks, and Supervisory Entities about the importance of financial literacy/education in the Caribbean through the launching by CARTAC of a Financial Literacy Campaign Program in the Caribbean (www.financialliteracycaribbean.com). As a result, The Financial Services Commission is moving forward to develop a Financial Education Program for Jamaica.
- The Bahamas improved the quality of off-site supervision and on-site examinations of credit unions that resulted in increased correct measures taken by the authorities.
- St. Vincent and the Grenadines instituted on-site examinations of off-shore banks as well as a supervisory framework for supervising off-shore banks.
- Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines use harmonized non-bank regulatory reports for credit unions, insurance companies, off-shore banks, money services businesses, trust companies, mutual fund companies, and other depository institutions. Turks and Caicos also adopted the insurance reporting forms developed under this program.
- Belize, the Eastern Caribbean Central Bank, and Guyana implemented regulations requiring a capital charge for market risk to bring the countries into compliance with one of the provisions of the Basel Core Principles for Effective Banking Supervision.
- St. Kitts and Nevis adopted an Act to create a Financial Services Commission.
- Bermuda implemented Basel II, being the first country in the region.
- Jamaica issued a regulation on asset/liability management for insurance companies.

- A draft Insurance Act for Belize is being reviewed by the industry and will then be sent to Parliament.
- International Supervisory Organizations suggests that supervisors create Colleges of Regulators for each conglomerate with regional/world-wide operations. The purpose of the Colleges of Regulators is to discuss the specific supervisory concerns about the conglomerate. CARTAC worked with CAIR to develop two College of Regulators whereby the financial condition of two regional insurance companies were discussed, weaknesses identified, and supervisory strategies were developed. St. Vincent and the Grenadines established supervisory procedures for the supervision of off-shore Mutual Fund companies and Trust Companies.

Macroeconomic Statistics

- Revision of the GDP statistics (current price) in Barbados.
- Rebasings of Guyana's national accounts series to 2006 (from 1988), and the launch of Guyana's first national accounts statistics publication.
- The development of supply and use tables in the Bahamas, Belize, Bermuda, Dominica, Grenada, Suriname, St. Kitts and Nevis, and Trinidad and Tobago to help improve the quality and consistency of national accounts.
- Rebasings of the national accounts series to 2006 (from 1990) for ECCU member states.
- The development of new CPI market baskets in Anguilla, Antigua and Barbuda, Belize, Dominica, Grenada, Guyana, St. Kitts and Nevis, and St. Vincent and the Grenadines.
- Introducing export-import price indexes in the Bahamas, Jamaica, Grenada, St. Lucia, and St. Vincent and the Grenadines.
- Support for the ECCB's work on developing new balance of payments surveys.
- Development of IIP statistics in Jamaica.
- Haiti's participation in the General Data Dissemination System.
- Building statistical capacity in all areas of macroeconomic statistics through regional training, in collaboration with the IMF Statistics Department.

Macro-Economic Programming

- Grenada, St. Lucia, St Kitts and Nevis and St. Vincent and the Grenadines updated their macroeconomic framework, which has been used as a tool in the preparation of the budget.
- Concise reports prepared by local teams reviewing the economic performance and medium-term outlook of member countries.
- Successfully launched an internship program for economics graduates aimed at better preparing them for the work place while improving their analytical skills. To date, at least three former interns are employed by the Central Bank of Barbados and the Ministry of Finance, St. Lucia.
- A number of member countries updated their macroeconomic frameworks to inform policy discussions within the Ministry of Finance. Those skills were enhanced as a direct consequence of the MAC program's new thrust to build capacity.
- Over 200 economists upgraded skills following participation in INS/CARTAC training.

Macro-Fiscal Management

- Medium-Term Fiscal Frameworks (MTFFs), a critical starting point along the transition to strategic budgeting were completed through an inter-agency process facilitated by CARTAC in Belize, British Virgin Islands (BVI), Montserrat, and Suriname; in all cases, a report documenting the base-case fiscal projections and arguing the case for fiscal action and presenting an alternative fiscal scenario was submitted to the MoF leadership or the Minister of Finance, for their consideration and decision. In this report, the base-case fiscal projections were augmented with fiscal (revenue and expenditure) policy measures required to “close” the frame and achieve the medium-term fiscal targets. In some countries, IMF-WB Debt Sustainability Assessment framework was used to test the sustainability and robustness of the base case solution and the MTFF, and the results reported in the aforementioned report.
- In some countries, preparation of fiscal projections was initiated but the MTFF was not completed - Barbados, Dominican Republic, Grenada, Haiti, St. Kitts and Nevis, St. Vincent and the Grenadines Trinidad & Tobago. In all cases, new more robust methodologies were adopted in the preparation of revenue projections, with the added benefit of facilitating consensus-building between the MoF and revenue authorities.

ANNEX II. BASIC MEMBER COUNTRY DATA

Country	Size (sq km)	Population 2005	HDI Rank 1/ 2009	GDP per capita (US\$) 2007	Public Domestic Debt (Percent of GDP) 2006	Total Public Debt (Percent Of GDP) 2006
Anguilla	102	13,477	...	\$9,000 2/	...	
Antigua & Barbuda	443	81,300	47	\$11,664	65.2	103.5
Bahamas, The	13,939	323,063	52	\$19,844	44.7	50.0
Barbados	431	274,700	37	\$10,427	55.2	83.0
Belize	22,960	291,800	93	\$4,200	6.7	93.0
Bermuda	53	66,163	...	...	...	...
Cayman Islands	160	45,000	...	\$37,440 2/	...	...
Dominica	754	72,000	73	\$3,979	29.9 3/	95.8 3/
Grenada	344	106,500	74	\$5,724	32.6	119.6
Guyana	197,000	751,218	114	\$1,462	30.1	135.2
Haiti	27,750	8.5m	149	\$699	3.8	33.3
Jamaica	10,990	2.7m	100	\$4,272	63.8	134.4
Montserrat	102	9,439	...	\$4,100 2/	...	...
St. Kitts and Nevis	261	48,000	62	\$10,795	116 3/	183.4 3/
St. Lucia	616	173,200	69	\$5,834	21.3	69.7
St. Vincent & Grens.	389	119,051	91	\$4,596	30.9	84.2
Suriname	161,470	449,238	97	\$4,896	12.0	30.4
Trinidad & Tobago	5,130	1.3 m	64	\$15,668	24.6	31.2
Turks & Caicos	430	21,152	...	\$7,693 2/	...	...

Sources: World Economic Outlook, IMF; World Development Indicators, World Bank; CIA World Factbook; Human Development Report, UNDP.

1/ Human Development Index Ranking, 2009. UNDP.

2/ GDP per capita (US\$), 2003.

3/ IMF staff projections.

ANNEX III. MEMBERSHIP IN REGIONAL AND INTERNATIONAL GROUPS

Country	CARICOM	CSME	CDB	IDB	IMF	EU/ ACP	OECS/ ECCB	Overseas Territories
Anguilla	√ ¹		√				√	√
Antigua & Barbuda	√	√	√		√	√	√	
Bahamas, The	√		√	√	√	√		
Barbados	√	√	√	√	√	√		
Belize	√	√	√	√	√	√		
Bermuda								√
British Virgin Islands	√ ¹		√				√ ²	√
Cayman Islands	√ ¹		√					√
Dominica	√	√	√		√	√	√	
Grenada	√	√	√		√	√	√	
Guyana	√	√	√	√	√	√		
Haiti	√		√	√	√	√		
Jamaica	√	√	√	√	√	√		
Montserrat	√		√				√	√
St. Kitts & Nevis	√	√	√		√	√	√	
St. Lucia	√	√	√		√	√	√	
St. Vincent & Grenadines	√	√	√		√	√	√	
Suriname	√	√		√	√	√		
Trinidad & Tobago	√	√	√	√	√	√		
Turks & Caicos	√ ¹							√

¹ Associate member.² Member of OECS only.

ANNEX IV. CARTAC COOPERATION WITH REGIONAL INSTITUTIONS

CARICOM and its agencies:

Council for Finance and Planning	COFAP
Committee of Central Bank Governors reporting to COFAP	
Council for Trade and Economic Development	COTED
CARICOM Single Market and Economy	CSME
CARICOM Secretariat	CCS
Caribbean Standing Committee of Statisticians	CSCS
CARICOM Legislative Drafting Facility	CLDF

Organization of Eastern Caribbean States OECS

Eastern Caribbean Central Bank ECCB

Other regional institutions and associations:

Caribbean Organization for Tax Administration	COTA
Caribbean Development Bank	CDB
Caribbean Centre for Development Administration	CARICAD
Inter-American Centre of Tax Administrations	CIAT
Caribbean Customs Law Enforcement Council	CCLEC
Caribbean Confederation of Credit Unions	CCCU
Centre for Monetary Studies of Latin America & the Caribbean	CEMLA
Caribbean Centre for Money and Finance	CCMF
Caribbean Tourism Organization	CTO
Caribbean Public Finance Association	CaPFA
Caribbean Association of Insurance Regulators	CAIR
Caribbean Group of Banking Supervisors	CGBS
Caribbean Group of Securities Regulators	CGSR
Eastern Caribbean Securities Regulatory Commission	ECSRC

ANNEX V. DONOR MATRIX

<i>Donor Matrix for CARTAC Countries</i>							
Country	Macro-Programming	Revenue Administration	Public Finance Management	Financial Sector Supervision	Capital Markets & Debt	Statistics	Major Donors (ranked by ODA disbursements excl. Debt 2006)
Anguilla	CDB & ECCB		DFID,EC,CDB,	CARTAC, World Bank, IFC, CDB, British High Commission	CARTAC, World Bank, IFC, CDB, British High Commission	CDB, CIDA, EU, CARICOM, IDB	UK
Antigua & Barbuda	CDB & ECCB	CARTAC, IMF, DFID, EU, USAID (Customs IT)	DFID,EC,CDB, CIDA,	CARTAC, World Bank, IFC, CDB	CARTAC, World Bank, IFC, CDB	CDB, CIDA, EU, CARICOM, IDB	UK, EU, CIDA
The Bahamas		CARTAC, IMF, IDB	DFID,EC, IADB	CARTAC, IFC	CARTAC, IFC		
Barbados		CARTAC, IMF, IDB	DFID,EC,CDB	CARTAC, World Bank, IFC, CDB	CARTAC, World Bank, IFC, CDB	CDB, CIDA, EU, CARICOM	EU, UK., CIDA
Belize		CARTAC, IMF, IDB	DFID,EC, IADB, WB	CARTAC, World Bank, IFC, CDB	CARTAC, World Bank, IFC, CDB	CDB, CIDA, EU, CARICOM, IDB	
Bermuda			DFID, IADB	CARTAC	CARTAC		UK
British Virgin Islands			DFID,EC,	CARTAC	CARTAC	UK Commonwealth Fund (CPI)	UK
Cayman Islands			DFID, IADB	CARTAC	CARTAC		UK
Dominica	CDB & EU & ECCB	CARTAC, IMF, WB	DFID,EC,CDB	CARTAC, World Bank, IFC, CDB	CARTAC, World Bank, IFC, CDB	CDB, CIDA, EU, CARICOM, IDB	EU, UK, CIDA
Grenada	CDB & ECCB	CARTAC, IMF, WB, DFID (PSIA)	DFID,EC,CDB, IADB	CARTAC, World Bank, IFC, CDB	CARTAC, World Bank, IFC, CDB	CDB, CIDA, EU, CARICOM, IDB	EU, UK, CIDA
Guyana			DFID,EC,CDB, IADB	CARTAC, World Bank, IFC, CDB	CARTAC, World Bank, IFC, CDB	US Census Bureau (SUT), EU, CARICOM	EU, CIDA, UK,
Haiti		CARTAC, IMF, CIDA, CRA, CBSA	DFID,EC,CDB, IADB, WB,	CARTAC, World Bank, IFC, CDB	CARTAC, World Bank, IFC, CDB	CIDA, UNDP, US, France	CIDA, UK, EU
Jamaica		CARTAC, IMF	DFID,EC, IADB, WB	CARTAC, World Bank, IFC, CDB, CIDA	CARTAC, World Bank, IFC, CDB, CIDA	UNDP	EU, CIDA, UK

Donor Matrix for CARTAC Countries

Country	Macro-Programming	Revenue Administration	Public Finance Management	Financial Sector Supervision	Capital Markets & Debt	Statistics	Major Donors (ranked by ODA disbursements excl. Debt 2006)
Montserrat	CDB & ECCB	CARTAC	DFID,EC,CDB	CARTAC, World Bank, IFC, CDB, British High Commission	CARTAC, World Bank, IFC, CDB, British High Commission	CDB, CIDA, EU, CARICOM, IDB	UK
St. Kitts & Nevis	CDB & EU & ECCB	CARTAC, IMF, DFID (PSIA)	DFID,EC,CDB	CARTAC, World Bank, IFC, CDB	CARTAC, World Bank, IFC, CDB	CDB, CIDA, EU, CARICOM, IDB	EU, UK, CIDA
St. Lucia	CDB & ECCB	CARTAC, IMF, DFID (PSIA)	DFID,EC,CDB, WB	CARTAC, World Bank, IFC, CDB	CARTAC, World Bank, IFC, CDB	CDB, CIDA, EU, CARICOM, IDB	EU, UK, CIDA
St. Vincent & the Grenadines	CDB & EU & ECCB	CARTAC, IMF	DFID,EC,CDB	CARTAC, World Bank, IFC, CDB	CARTAC, World Bank, IFC, CDB	CDB, CIDA, EU, CARICOM, IDB	EU, UK, CIDA
Suriname		CARTAC, IMF, IDB	Netherlands, CIDA, EC, IADB,	CARTAC	CARTAC	Netherlands	Netherlands, CIDA,
Trinidad & Tobago		CARTAC, IMF	DFID,EC,IADB	CARTAC, World Bank, IFC, CDB	CARTAC, World Bank, IFC, CDB	EU, CARICOM	
Turks & Caicos Islands			DFID,EC,CDB	CARTAC, British High Commission.	CARTAC, British High Commission	UK	UK
						* IDB funding through OECS	

ANNEX VI: VERIFIABLE INDICATORS OF SUCCESS BY SECTOR³⁴*I. Verifiable Indicators of Success (Revenue Administration)*

<i>Verifiable Indicators</i>				
Regional level	Inputs	Outputs (TA deliverables)	Outcomes	Verifiable Indicators
Objectives				
Trade facilitation. Support regional trade integration initiatives through harmonized and standardized customs rules and regulations.	Diagnostics and follow-ups. Advice and problem analysis (technical, policy and organizational). Hands-on training and mentoring. Workshops design and facilitation. Staff attachments between agencies in and beyond the region.	TA to support regional trade facilitation through: - better enforcement of rules of Origin, - standardized customs processes and procedures, - formal regional customs institution to facilitate operation cooperation.	Reduced administration burden on regional customs agencies. Intra regional trade flows increasing over time. Regional barriers to trade minimized.	- Reducing cargo release times within countries. - Declining importation administrative and compliance costs. - Improving trading-across borders index.
Country level	Inputs	Outputs (TA deliverables)	Outcomes	Verifiable Indicators
Objectives				
Revenue generation. Enhance tax collections from improved and cost effective administration and strengthened compliance.	As above.	TA to improve revenue policy and administration and enhance collections through: - efficient and automated procedures and systems, - effective organizational Arrangements, - targeted and meaningful taxpayer Services, - appropriate risk-based compliance and enforcement strategies.	Revenue collection gradually trends upwards in real terms over time. Cost of collection gradually trends downwards as efficiency gains are delivered. Simplified tax structures eliminating nuisance or low yield measures.	- Improving trend over time of the overall tax-to-GDP ratio. - Improving trend over time of the VAT efficiency ratio. - Declining trend over time of the cost of collection ratio. - Declining trend over time in client compliance costs.

³⁴ These indicators apply to all TA recipient countries or the region as a whole.

<p>Single window integration of national border regulatory agencies.</p>	<p>As above.</p>	<p>TA to implement seamless, real-time , paperless exchange of trade information between traders and major regulatory interests.</p>	<p>Regionally standardized data requirements for export, transit and import consignments, including data protection rules.</p> <p>Interconnected systems and aligned data bases between national regulatory agencies.</p> <p>Mutual recognition and coordination protocols to elimination duplications in inspections, verifications and controls.</p>	<p>Reduction in documents and data requirements by trade regulating agencies.</p> <p>Reduction in clearance times and compliance costs.</p>
<p>Organizational structure. Implement an efficient and effective organizational structure.</p>	<p>As above.</p>	<p>TA in designing and implementing a modern organizational structure that:</p> <ul style="list-style-type: none"> - Integrates collection of all major national taxes including for resources. - Is based on core tax or customs administration functions. - Has a strong HQ that is focused on functional programs and strategies. - Includes specialized arrangements for taxpayer segments, including an LTO and simplified small business regime. - For customs administration, facilitates trade by implementing risk-based customs clearance strategies featuring “intervention by exception” approaches. 	<p>An efficient and effective organizational structure.</p>	<p>A modern revenue administration organization is implemented that includes:</p> <ul style="list-style-type: none"> - A non-operational and effective HQ. - Integrated tax administration that is functionally structured and segmented by taxpayer size. - A customs administration that relies more on post rather than pre-clearance. - assessment, physical inspection and controls. - Declining costs of administering international trade taxes.
<p>Strategic and Operational Planning and Management. Robust policy development and implementation frameworks and reporting arrangements are utilized,</p>		<p>TA to support planning, decision support and performance measurement in :</p> <ul style="list-style-type: none"> -strategic information collection and analysis to identify emerging issues and trends which may affect revenue administration operations 	<p>Strategic planning in recipient countries is future oriented and appropriately linked to resource allocation and performance management.</p>	<p>Management information, operational statistics and performance indicators used routinely to measure progress for priority areas including:</p> <ul style="list-style-type: none"> • Revenue collection, • Revenue leakage, • Detection and seizures,

		<p>using methods such as:</p> <ul style="list-style-type: none"> • International/regional scanning, • Environmental assessment, • SWOT analysis, • Stakeholder survey and consultation. <p>-management information, operational statistics and performance indicators to measure progress against strategic objectives.</p>	<p>Internal management, decision and reporting mechanisms facilitate consistent application of national policies, standards, decisions and operational instructions across central, regional and local offices.</p>	<ul style="list-style-type: none"> • Compliance, • Trade facilitation (clearance times, processing times, contribution of other border management agencies, etc), • Industry assistance (concessions, rebates, exemptions), • Community protection.
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II. Verifiable Indicators of Success (Public Finance Management)

<i>Verifiable Indicators</i>				
Regional Level Objectives	Inputs	Outputs	Outcomes	Verifiable Indicators
Develop a more sustainable education and peer assisted learning capacity in the region.	<p>Diagnostics and Surveys</p> <p>Development of PFM course material.</p> <p>Support to CaPFA board meetings</p> <p>Delivery of courses, workshops and Conferences.</p> <p>Development of regional trainers</p> <p>Staff attachments between agencies and beyond the region.</p> <p>Promulgation of “good practice” materials through a variety of media and for a.</p>	<p>Annual programme of CARTAC/CaPFA events for PFM Reform.</p>	<p>The reputation of CaPFA/CARTAC as a regional body responsible for promoting PFM reform improves.</p> <p>Increase in the capacity of the region to deliver training and peer support.</p>	<p>Increased in direct donor support.</p> <p>Increase in the number of regional experts/presenters and increase in the number of events delivered by regional experts.</p>
Country Level Objectives	Inputs	Outputs (TA Deliverables)	Outcomes	Verifiable Indicators
A more strategic approach to PFM Reform.	<p>PEFA and other diagnostic assessments.</p> <p>Support to Steering Committee meetings.</p> <p>Delivery of workshops and Conferences.</p>	<p>TA to support a more strategic approach to PFM Reform through:</p> <ul style="list-style-type: none"> • Support in the development of a strategic PFM Reform Action Plan. • TA as requested in the 	<p>Overall improvement in PFM in the country.</p>	<p>PEFA assessment shows improvement over time.</p>

	Staff attachments between agencies and beyond the region Technical Assistance. Promulgation of “good practice” materials through a variety of media and fora.	country PFM reform action plan.		
Strengthen Treasury Management.	Diagnostics and follow-ups. Advice and problem analysis. Hands on training and mentoring Workshop design and facilitation Staff attachments between agencies and beyond the region. Promulgation of “good practice” materials through a variety of media and fora.	TA to support strengthening of the Accountant Generals and Treasury functions through: <ul style="list-style-type: none"> • Improved legislation, • Improved bank, reconciliations, • Cash Management and Forecasting Capacity improves, including move towards establishing a Treasury Single Account. • Automated procedures and improved processes. • Improved timeliness and quality of financial reports including compliance with International Public Sector Accounting Standards. 	Government’s budget is executed in accordance with plans. Timeliness, quality and comprehensiveness of financial reports improves over time. Wider availability of budget execution reports enhances transparency.	PEFA Assessments shows improvements overtime. Payments made on the due date. Length of time to produce in year and annual financial statements is reduced. Annual Financial Statements are produced in accordance with International Public Sector Accounting Standards Countries ability to derive a GFS fiscal balance report in the Treasury. In year and end of year reports are available publicly (internet).
Strengthen capacity to develop medium term results oriented budget.	Diagnostics and follow-ups Advice and problem analysis Hands on training and mentoring Workshop design and facilitation Staff attachments between agencies and beyond the region. Promulgation of “good practice” materials through a variety of media and for a.	TA to support strengthening of the capacity to develop a medium term results oriented budget: <ul style="list-style-type: none"> • Improved legislation and procedures, • Improvements in the annual budget calendar, • Annual Budget Estimates documents are more comprehensive and transparent , • Shift towards medium term policy lead. budgeting	The budget process is more comprehensive and transparent Credibility of the budget Improves The Policy focus of the Budget improves.	PEFA Assessments shows improvements overtime (indicators 1-12).

		<ul style="list-style-type: none"> The results focus of budget documents and reporting improves 		
Strengthen Internal control framework through the improved competence of internal auditors.	<p>Diagnostics and follow-ups. Advice and problem analysis. Hands on training and mentoring. Workshop design and facilitation. Staff attachments between agencies and beyond the region. Promulgation of “good practice” materials through a variety of media and fora.</p>	<p>TA to support strengthening of the capacity of internal audit through:</p> <ul style="list-style-type: none"> Improved legislation, policy, procedures and processes, Strengthen capacity of auditors to undertake audits consistent with International Internal Auditing Standards. 	Overall internal control framework is strengthened.	PEFA Assessments shows improvements overtime Number of audits undertaken consistent with International Internal Auditing Standards increases.

III. Verifiable Indicators of Success (Banking Supervision)

<i>Verifiable Indicators</i>				
Regional Level Objectives	Inputs	Outputs (TA Deliverables)	Outcomes	Verifiable Indicators
Develop and Implement a Framework for Financial Stability.	<p>Workshop to develop TOR for development of framework.</p> <p>Agreement of TOR by Head of Government (CARICOM).</p> <p>Improvements in financial statistics and the collection of financial statistics in one shop.</p>	<p>Publication of a Regional Financial Stability Report.</p> <p>Periodic reports to Governors of Central Banks that highlight key financial stability issues.</p>	<p>Strategic plan to deal with financial stability weaknesses that can be addressed in the medium-term.</p> <p>Communication and resolution of immediate issues that impact short-term financial stability.</p> <p>More confidence in the financial system by depositors and policy holders.</p>	<p>A rise in GDP/population.</p> <p>Notable improvements in the supervision of financial entities as described in the FSAP Report through comparing one period to another.</p> <p>The quick and effective resolution to a future problem financial institution.</p>
Development of a Framework for the Supervision of Credit Unions.	<p>Workshops on the techniques to supervise credit unions.</p> <p>One-on-One with country supervisors on licensing, reporting, off-site supervision, on-site</p>	<p>Drafting of a law that brings supervision up to international standards.</p> <p>Drafting of regulations to support the enhanced law.</p>	<p>Greater depositor confidence in credit unions that will allow more services to be offered at better rates, such as mortgages and the financing of small businesses.</p>	<p>The publication of credit union aggregate statistics.</p> <p>The closing of credit unions that are deemed not viable as noted news reports.</p>

	examinations, corrective actions, and exit from market.	<p>Manuals on licensing, off-site supervision, on-site examinations, corrective action strategies, and resolution.</p> <p>Off-site analysis reports of individual credit unions' safety and soundness.</p> <p>An examination report of staff's on-site examination findings.</p>	Safe and sounder credit unions where losses to depositors can be minimized.	Notation of improvements in credit union supervision via the FSAP Report.
Establishment of the first credit bureaus in the region other than Trinidad and Tobago.	<p>Willingness of financial institutions to provide positive and negative data to a future credit bureau.</p> <p>Setting forth the various policy options for Governments to consider and address.</p>	<p>A draft Credit Bureau Act.</p> <p>Bid sheets for credit bureau actors and selection of an actor.</p>	<p>An increase in the credit available to lower income segments of the population.</p> <p>Better risk management by banks.</p>	<p>An increase in the loans outstanding to consumers as measured by the Central Bank.</p> <p>A reduction in loan losses for the consumer loan portfolio as measured by the Central Bank.</p>
Continue to Enhance Insurance Supervisory Skills in the Caribbean.	<p>Passage of new/revised Insurance Acts.</p> <p>Movement of insurance supervision away from the Government to either the Central Bank or an independent single regulatory unit.</p>	<p>Workshop to teach the IAIS Core Modules for Insurance Supervision.</p> <p>Manuals on licensing, off-site supervision, on-site examinations, corrective action strategies, and resolution.</p> <p>One-on-one training in licensing, off-site supervision, on-site examinations, corrective action strategies, and resolution.</p> <p>A document that assess the characteristics of the re-insurance risks for each company.</p>	A reduction in poverty as policy holders will be better protected under an enhanced supervisory regime for insurance companies.	<p>Positive comments from the FSAP Reports on the adequacy of insurance supervision.</p> <p>The periodic publication of insurance statistics by the supervisor.</p>

		A regulation, which standardizes actuarial procedures for the Caribbean.		
Country Level Objectives	Inputs	Outputs (TA Deliverables)	Outcomes	Verifiable Indicators
Development of stress-testing models in Barbados and Belize.	Assessment of quality of data and comprehensiveness of data.	A stress-testing model. Training of the inputs and outputs of the stress-testing model.	Early warning indicator of potential problem institution.	The FSAP Report indicates that examiners are using the stress-testing model and the report indicates that supervisor resources are focused on the areas of highest risk.
Restructure BAICO to minimize losses to policy holders living in Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.	Diagnostic work to identify areas that are lagging in supervisory development.	A new company to take over the liabilities of the old BAICO. The revaluation of liabilities relating to annuity holders.	Minimization of losses to depositors.	An operating new company that has taken over the liabilities of the old BAICO.
Continue the Development of Single Regulatory Units in Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.	Diagnostic work to identify areas that are lagging in supervisory development.	On-site examination reports on safety and soundness of financial entities. Off-site monitoring reports and statistics. Periodic Financial Stability Assessments.	Safer and sounder non-bank financial institutions.	The publication of financial system statistics and a report of Financial Stability Assessments. Improvements in supervision as noted in the FSAP Reports.
Develop a framework for pension fund supervision in Barbados.	Identification of policy options available to the government.	Drafting of a Pension Fund Act. Drafting of Pension Fund Supervisory Manuals. One-on-One training in pension fund supervision.	Safe and sound pension funds that will provide retirement funding to the population.	The passage of the Pension Fund Act. Positive statements in the Barbados FSAP Report on the progress made in supervising pension funds.

IV. Verifiable Indicators of Success (Statistics)

<i>Verifiable Indicators</i>				
Regional Level Objectives	Inputs	Outputs (TA Deliverables)	Outcomes	Verifiable Indicators
Improve the quality of macro-economic statistics (NA, prices, BOP, trade, and monetary/ financial).	Diagnostic work to identify and design measures needed to strengthen economic statistics.	CARTAC reports that identify deviations from international standards and provide recommendations for improvements.	Macroeconomic statistics that are timely, accurate, and used in policy analysis and decisions.	Countries meet or exceed standards in IMF Data Quality Assessment Framework for Data ROSCs in the following areas: 0-Prerequisites for Data Quality 1-Assurance of Integrity 2-Methodological Soundness 3-Accuracy and Reliability 4-Servicability 5-Accessibility.
Use of internationally accepted concepts and methods.	Prepare detailed improvement plans, and assist in their implementation.	Detailed work plans that layout the major milestones and time frame for implementing improvements.	Statistics that meet international standards.	
Establish and maintain basic underlying data collection.	Review proposals or assessments by governments or donors for consistency with internationally agreed standards.	TA reports that document techniques, procedures, and methods that have been implemented for specific economic statistics.	Published data meet SDDS/GDDS standards.	Subscription to GDDS/SDDS with metadata posted/ updated annually.
Develop procedures for compilation, data preparation and verification, computerization.	Provide hands-on technical assistance and training through advisers or short-term experts.	Evaluation reports by authorities documenting effectiveness of TA provided.	Statisticians gain knowledge on best statistical practices and implement them.	
Develop procedures for compilation, data preparation and verification, computerization.	Provide hands-on technical assistance and training through advisers or short-term experts.	Evaluation reports by authorities documenting effectiveness of TA provided.	Statisticians gain knowledge on best statistical practices and implement them.	
Assist with data dissemination.	Organize training courses, seminars, workshops and the dissemination of best practices.	Participants are trained, knowledgeable of international practices, and work to implement them.		

	Arrange professional attachments for skills enhancement and development.	Statisticians participate in attachments and gain knowledge on best practices.		
Country Level Objectives	Inputs	Outputs (TA Deliverables)	Outcomes	Verifiable Indicators
Organization of statistical agency is efficient and effective in delivery of macroeconomic statistics.	Review of baseline statistics program with recommendations for improvements.	See above.	See above.	See above.
Publish GDP by production and expenditure at current and constant dollars.	Prepare detailed work plans for implementing improvements.			GDP benchmarked to 2006 or later; CPI, PPI, XMPI with weight base 2006 or later.
Produce a full set of national accounts including balance sheet and ROW.	Training on National Accounts, CPI, PPI, XMPI, BOP/IIP, GFS, and MFS.			TSA, SUT, and SAM available.
Develop TSA, SUT, and SAM.	Attachments of staff to countries using best practice.			Data published for each indicator using international classification.
Use int'l classifications (ISIC, COICOP, SITC/HS, CPC, etc).	TA missions on specific statistical projects.			Quarterly series for each indicator is available.
Producer QGDP, CPI, XMPI, BOP, GFS, and MFS.	Provision of manuals and classifications.			
Initiate or enhanced the compilation and dissemination of IIP statistics.	TA missions and regional training seminars.	TA mission reports.	IIP statistics that meet international standards.	Enhanced IIP data and Increased number of countries compiling and disseminating IIP data.

V. Verifiable Indicators of Success (Macroeconomic Programming Analysis)

Country Level Objectives	Inputs	Outputs (TA Deliverables)	Outcomes	Verifiable Indicators
Strengthen financial programming and forecasting frameworks.	Provide hands-on training to prepare/update macroeconomic frameworks in member countries.	Updated macroeconomic frameworks for use by the authorities.	Economists with enhanced ability to update macroeconomic frameworks.	Macroeconomic frameworks updated quarterly by the local team and presented to senior ministry of finance officials to inform policy discussions.
		Preparation of different fiscal scenarios to illustrate the impact of new measures.		Alternative scenarios that assess the impact of new measures on the macroeconomic framework.
		Concise mission reports outlining the countries' economic performance and medium-term outlook.		
		Presentations to senior Ministry of Finance officials at the end of the mission.		
Enhanced analytical skills and professional development of regional through attachments and internships.	Organize professional attachments and internship for regional economists.	Analytical papers prepared with the guidance of experienced economists.	A number of regional economists with enhanced skills to undertake analytical work.	High quality analytical papers prepared by economists at ministries of finance and central banks following CARTAC professional attachments and internships.
Collaborate with IMF Institute to enhance knowledge of macroeconomic issues across the Caribbean.	Organize and finance member countries' participation at regional INS/CARTAC courses.	Number of courses.	A number of trained regional economists.	Feedback received from participations from the course evaluation.
				Triennial survey of member countries to assess the impact of formal courses.

VI. Verifiable Indicators of Success (Macro-Fiscal Management)

Regional Level Objectives	Inputs	Outputs (TA Deliverables)	Outcomes	Verifiable Indicators
Fiscal management anchored on sustainable medium-term fiscal targets.	TA, institutional support, mentoring, conferences, attachments.	Published MTFF with Budget; published quarterly analyses of budget execution.	Macro stability, enabling achievement of national objectives.	Published information: more accurate forecasts and fulsome analyses; sustainable fiscal indicators.
Establish macro-fiscal unit or working group.	TA, institutional support, mentoring, conferences, attachments.	Mission reports, templates, unit work plans.	Analytical and policy briefings.	Functional team or working group in place.
Effective oversight of and managed fiscal risks associated with statutory bodies.	TA, workshops, mentoring of oversight units.	Mission reports, "good practices" examples, templates, unit work plans.	Oversight mechanisms and reporting protocols instituted.	Exposure reported in the budget and new protocols published.
Public pension plans on solid financial footing.	TA, workshops, reviews.	Mission reports, impact analyses, draft legal texts and communications strategies.	Where required, reforms enacted and implemented.	Actuarial reports confirm plans' solvency and sustainability.
Debt strategies in place, and effective debt management and institutions.	TA, institutional support, mentoring, conferences, attachments.	Advice, procedures documents, data validation reports.	More accurate debt data, balanced debt portfolio achievement of minimum costs and risks.	Published debt strategies and outcomes.

ANNEX VII: DEFINITIONS OF PROJECT MANAGEMENT, BACKSTOPPING, TRUST FUND MANAGEMENT AND DIAGNOSTIC MISSIONS

Backstopping

Why is backstopping important?

Backstopping is the core work carried out by IMF staff economists in their direct support of the expert in the field. It is this distinctive feature to the IMF TA delivery approach that stands it apart from other TA providers who typically do not have an institutional framework to provide the systematic backstopping undertaken by the IMF. It is through backstopping that the comparative advantage of the IMF is realized allowing country recipients and donors to leverage the institutional support framework and maximize the TA outcomes. Backstopping ensures that the quality of the TA advice provided by the experts is consistent with international best practice and Fund standards and policies.

What is backstopping?

Backstopping entails:

- Guidance to the expert in the initial contact with authorities regarding the timing and objectives of the mission;
 - Discussions with the area departments with respect to their TA priorities and specific needs which are then transmitted to the expert;
 - Substantive/analytical input on briefings and mission report drafted by experts to ensure adherence to best technical standards and Fund policies; and
 - Drafting and/or review of an official letter proposing the mission, briefing paper, back to office report, and transmittal letter with the mission report to the authorities.
- The backstopper, in consultation with the mission chief and functional division, is required to evaluate the expert after each mission (or series of missions, in the case of peripatetic assignments). In addition, TA is evaluated through yearly inspection visits, and discussions with the authorities. The modality of ongoing supervision of the expert's TA depends on the type of the output.³⁵ For example, when an expert provides conceptual work, he/she generally seeks ex-ante clearance from the backstopper (to ensure that these are consistent with best practice). In the case of day-to-day operational advice, backstoppers review the expert's periodic reports to HQ to assess the work done. The approach also varies depending on whether the TA is provided through a long-term or a short-term expert:

³⁵ This is an important point as there is a risk that the TA delivered by experts is seen exclusively or primarily through their reports. Expert reports are just one product, and sometimes not the most important. Many experts spend their assignments working closely with their counterparts in assisting in the implementation of prior Fund advice. This can come in many forms, from workshops, to brainstorming, to facilitating activities, to performing jointly with the authorities specific tasks.

- Draft reports of *short-term (or peripatetic) experts* are subject to the same review/assessment process as mission reports. Specifically, their draft reports are reviewed internally (first by the concerned backstopper and then the division chief), and, in some circumstances, by the area department before issuance to the authorities.³⁶
- In case of *long-term experts* (RTAC advisors, regional advisors and resident advisors), the quality control process is ongoing, supplemented by a well-established ex-post evaluation process (e.g., through inspection missions as well as follow-up missions). Furthermore, for short-term experts hired for the RTACs, backstopping is cascaded: the RTAC advisors provide direct backstopping of the short-term experts, while Fund HQ backstoppers oversee the work of the short-term experts through their backstopping of the resident RTAC advisor.

How is backstopping integrated with the Fund's overall relationship with country authorities through other TA work and surveillance/lending operations?

Backstoppers are supervised by Fund senior staff who provide another layer of quality assurance in the review of mission reports prepared by experts. In addition, some departments maintain a regional approach to provide strategic regional and country perspectives to its TA program. In such cases, mission reports are further reviewed by Regional Managers to ensure adherence to standards and guidelines.

- At each stage of the quality control process, the level of intervention is decided depending upon the issues involved. While specific technical issues are generally resolved through the backstopper (through his/her ongoing interaction with the expert), the backstopper consults the division chief where significant policy issues arise or where topics addressed are likely to be sensitive. Although routine technical issues are generally resolved by the backstopper, the division chief is copied on his/her responses/advice to the expert, and is sometimes consulted, or intervenes when needed. Conflicts or potential conflicts are brought to the attention of the relevant senior advisor or deputy department director for resolution.
- The backstopper acts as a bridge between the expert and the area department as well as other major TA providers with a view to informing the expert of area departments' priorities and/or complimentary activities carried out by other TA providers. In case of an RTAC advisor, the backstopper also coordinates with the Center Coordinator and ensures that tasks performed by the advisor are within the overall framework of the Center's strategy and work plan.
- Ensuring effective integration of the expert's work with the overall TA program for a country (which typically includes a combination of HQ missions, long-term and short-term experts) requires periodic adjustments/updates to the expert's work program. The backstopper

³⁶ There are also frequent informal communications between the expert and the backstopper. Most likely an issue or concern about quality will become evident well before a formal report eventuates.

plays a critical role in this area in consultation with the division chief (and/or area departments), and with the authorities, including during Annual and Spring Meetings.

- The backstopper also monitors the responsiveness demonstrated by the expert in dealing with his/her counterparts. Where there are disagreements with the authorities, the backstopper plays the key role in resolving the issue (sometimes based on a wider consultation within the department and/or division chief's advice).

Project Management by TA Department

- **Why is HQ project management important?**

Project management facilitates the work of the experts so that they can focus on their technical work. Project management is about activities concerned primarily with administrative support, contract administration, security clearances and visas, etc.

What is project management?

- Key activities are:
- **Administrative support.** Providing the expert with clear guidelines, including a model mission report (available upon request), to conform to structured report formats that focus reporting on methodological developments, an action plan with target dates for implementing the main recommendations; and the ways to present the mission findings to the authorities. This includes finalizing notification letters and other documents; processing various pre- and post- mission documents; review of project related documents and materials (for completeness, etc.); and coordinating information for other TA departments.
- **Human resource support (resource management units).** This includes drafting a recruitment memorandum and, as applicable, communication/arrangement with organizations for the release of their staff to conduct the mission as a Fund expert, managing and administering the recruitment and expert contracting process; liaising with HRD; preparing (and entering) necessary HR information (e.g. TIMS, PeopleSoft); reviewing experts' salaries and establishing rates, etc.; processing experts' claims for certification of duty days; and handling all logistical coordination with experts and respond to administrative requests.
- **Managing expense of reports of HQ-based missions.** This includes processing travel expense reports; reviewing and discussing with divisions as appropriate; carrying out accuracy checks, entering data into system; preparing all documents for approval.
- **Travel and resource planning of HQ-based missions.** This includes arranging travel for experts, including visas and itinerary; arranging for security clearances; collecting

information on plans for forthcoming travel; organizing information related to mission/expert planning and travel.

- **TAIMS-related tasks to improve results-based management at HQ.** This includes entering various information (e.g. project budgets, team rosters, backstopper assignments); reviewing project documents, including maintenance of and support for TAIMS reports; providing information on TAIMS-related issues; and determining and attaching correct budget to the project in TAIMS.
- **Maintaining a high quality expert roster.** This is mainly through providing an evaluation of the expert following the mission, which is reviewed at the dedicated departmental meetings. Such reviews ensure that the Fund's expert roster contains only experts of the highest quality with a successful track record in the field.

Trust Fund Management Fee—Services by LEG, FIN, and OTM

- Services rendered for trust fund management are undertaken by lawyers, accountants and auditors, and the staff involved in fundraising and relations with donors as well as overall monitoring of Fund TA activities.³⁷ Main services relate to:
 - **Donor partnerships.** Donor visits, outreach activities, fundraising, annual consultations with specific donors, Steering Committee participation on the scope and objectives of the TA subaccount as well as responding to daily requests for information.
 - **Legal drafting.** Negotiating and drafting the necessary legal agreement and internal documents (such as Board Papers) for the establishment of a subaccount with donors and recipient countries as well as review, advice, and guidance in the prompt resolution of issues related to immunities, customs, and other matters pertaining to the free mobility of RTAC related staff and experts. Also, ensuring consistency of Fund policies on transparency, confidentiality and applicable Fund rules and procedures and preparing confidentiality agreements and other legal instruments for subaccount reviews. Also, ensuring consistency of trust fund activities with the purposes of the Fund and legal limitations in the SFA.
 - **Budget work.** Setting-up budget and disbursement schedules for subaccounts as well as reviewing and processing monthly accounting entries, ensuring that the budget stays within agreed ceilings, following up on annual disbursements and reconciliation of accounts and consistency checks.
 - **Reporting.** Assembling, drafting and reviewing subaccount reporting, including financial reports and recording TA subaccount and trust fund information (letters of

³⁷ In the present TA model, the Fund continues to donate the cost of the services provided by support departments, including for information systems (TGS), budget and planning (OBP), human resources (HRD), and external relations (EXR).

understandings, reports and donor information) in the relevant systems. Publishing electronically and in hard copies financial reports, TA reports, and evaluation reports.

- **Audits.** Coordination and support of internal and external audits of the SFA trust, including donor request for checks/verifications of subaccount financing.
- **Payment and payroll systems.** Effecting payments around the world and arranging collection of funds, and safekeeping of financial resources.

HQ-led diagnostic missions

The IMF undertakes diagnostic missions as a critical part of its technical assistance (TA) delivery model. Their purpose is to:

- (i) Provide an in-depth assessment of policy and institutional weaknesses affecting the ability of the member country to attain its policy and reform objectives; and
- (ii) Develop a well-sequenced strategy and multi-year reform program that address the authorities' key short- and medium-term priorities while taking into account the IMF's cross-country experience, international best practice, and area department priorities.

At the end of a diagnostic mission, the mission team submits a complete draft of its report covering both the assessment and the reform program. A final report is submitted no later than six weeks thereafter following review at HQ and comments from the authorities. A diagnostic mission usually comprises four members, including the mission chief who is a staff member based at HQ, and is typically two weeks long.

When prepared for a country or sub-region covered by a regional TA center (RTAC), the multi-year reform program will provide the basis for the RTAC's assistance at the implementation level, and sometimes also the work of other TA providers. Diagnostic missions therefore help avoid RTAC assistance being driven by ad hoc requests, which can get in the way of a focused approach to addressing fundamental structural problems. To facilitate effective RTAC follow-up to diagnostic missions, the regional advisor(s) participates as a full member of the mission team. After the mission, the regional advisor will develop a program of TA, which following discussions with the country authorities, is integrated into the work plan of the RTAC.

Diagnostic missions are a type of TA mission. However, they are broader in scope than other TA missions, which address a more narrowly defined set of policy issues or provide assistance more focused on implementation (e.g., when joint with RTAC experts). They are an important input to defining the focus of backstoppers of RTAC experts, who - when possible - are also mission members, and help ensure that TA delivery is focused on the critical issues and of the highest quality.

FAD Diagnostic missions under CARTAC

The program document includes diagnostic missions in the PFM area as well as on tax and customs administration. The countries to receive diagnostic missions will be determined in the context of the CARTAC work plan. To take tax and customs administration as an example, diagnostic missions would be delivered to either of the following:

- (i) Countries reaching a point in ongoing reforms where the priorities and TA needs for the next phase have to be determined in order to maintain the momentum and continuity of the

reforms. A specific important priority here is to ensure the sustainability of VAT reforms being undertaken in CARTAC countries by assessing their progress and designing a move from VAT implementation to second-stage reforms that transfer and embed the efficiencies gained from the VAT-related reforms into the administration of other taxes; or

(ii) Countries with new, particularly urgent or complex fiscal issues with significant tax revenue implications.

STA Diagnostic missions under CARTAC

STA diagnostic missions provide assistance to countries to undertake a comprehensive assessment of the quality and range of statistics, the institutional and legal context, and the user needs, and determine technical assistance priorities within a medium-term context. These missions help determine the short and medium-term priorities for the country against the careful evaluation of its overall capacity constraints and therefore assist the authorities in preparing a plan of action for addressing the key challenges. In general, STA diagnostic missions can focus on several statistical domains such as national accounts, prices, balance of payments and international investment position, monetary and financial statistics, government finance statistics and data dissemination or a single domain depending on the problems or resource availability.

At the end of the mission, a report is prepared that provides an assessment of the methodologies and procedures used or need to be used in the compilation of statistics; the legal and institutional setting for statistics; data dissemination; and a prioritized action plan, including the sequencing of future technical assistance and training. As applicable, the diagnostic mission report also assesses the implementation of past statistics missions from the Fund.

For CARTAC, STA envisages HQ-led diagnostic missions mainly in national accounts, prices, external sector statistics, and if necessary, other macroeconomic statistics in coordination with CARTAC. These missions' topical focus and countries will be determined in close consultation with CARTAC.

ANNEX VII: EXPANDED BUDGET BY SECTION									
Table 1. CARTAC--Budget by sectoral providers, 2011-2015 (Sept 21, 2010)									
	Fiscal Affairs	Statistics	Monetary & Cap.	Western	IMF Institute	OTM	Finance	Field	Total
	(5 LTX)	(2 LTX)	Markets (2 LTX)	Hem. (1LTX)			Dept.		
TA Field Delivery (LTX, STX, Diagnostic)									\$40,046,934
Long Term Expert	\$8,604,186	\$3,075,872	\$3,719,854	\$1,177,852					\$16,577,764
Long Term Expert (Compensation)	\$7,354,186	\$2,575,872	\$3,219,854	\$927,852					\$14,077,764
Long Term Expert (Travel)	\$1,250,000	\$500,000	\$500,000	\$250,000					\$2,500,000
Short Term Expert (386,57,146 & 31 months)	\$14,003,482	\$1,985,806	\$5,085,000	\$1,080,000					\$22,154,288
Short Term Expert (Compensation-Estimated)									
Short Term Expert (Travel-Estimated)									
Diagnostic (Staff Time & Travel)	\$878,939	\$346,155	\$89,788	\$0					\$1,314,882
Diagnostic (Staff Comp.)	\$660,325	\$111,395	\$58,000	\$0					\$829,720
Diagnostic (Travel-Estimated)	\$218,614	\$234,760	\$31,788	\$0					\$485,162
HQ Staff	\$121,605	\$529,028	\$364,388	\$50,000	\$529,002	\$25,000			\$1,619,023
Travel (Expenses for seminar & SC meeting)	\$41,220	\$220,232	\$259,983	\$50,000	\$68,312	\$25,000			\$664,747
Other (Staff time for delivering seminars)	\$80,385	\$308,796	\$104,404	\$0	\$460,690				\$954,275
Local Administration			\$20,209					\$1,420,335	\$1,440,544
Local Support Staff								\$1,420,335	\$1,420,335
Translation & Interpretation - Local			\$20,209						\$20,209
Seminars & Others								\$6,395,000	\$6,395,000
Seminars (Participants Cost)								\$5,000,000	
Seminars (Workshop Materials)								\$145,000	
Professional Attachments								\$500,000	
Project Equipment								\$0	
Misc/Office Communication								\$750,000	
Evaluation								\$310,000	\$310,000
Subtotal -	\$23,608,212	\$5,936,861	\$9,279,239	\$2,307,852				\$8,125,335	\$49,811,501
Total Backstopping & Project Management	\$2,280,659	\$875,140	\$1,241,394	\$264,650	\$25,200	\$498,392	\$97,494		\$5,282,929
Backstopping	\$1,900,823	\$520,374	\$867,963	\$91,275					\$3,380,435
LTX	\$1,492,433	\$384,757	\$411,099	\$60,850					\$2,349,139
STX	\$408,391	\$135,617	\$456,864	\$30,425					\$1,031,297
Project Management	\$379,836	\$354,766	\$373,431	\$173,375	\$25,200	\$498,392	\$97,494		\$1,902,493
LTX	\$0	\$180,311	\$172,376	\$0					\$352,687
STX	\$0	\$174,455	\$164,962	\$0					\$339,417
Seminar	\$0	\$0	\$36,093	\$0	\$25,200				\$61,293
Other	\$379,836	\$0	\$0	\$173,375		\$498,392	\$97,494		\$1,149,096
Total									\$55,094,430
TTF Management Fee (7%)									\$3,856,610
Total TA Provision funded by external contribution									\$58,951,040
IMF In Kind contribution								\$2,659,000	
Center Coordinator Salary & Travel								\$1,769,000	
Administrative Staff, Driver & Operation								\$890,000	
Host Country In kind								\$625,000	
Facilities -Office and Utilities								\$625,000	
Total In kind								\$3,284,000	\$3,284,000
Total 5 years Budget for CARTAC									\$62,235,040
Source: FAD, MCM, STA, WHD, INS & CARTAC.									

