

# CARTAC Developments

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David Kloeden

CARTAC Program Coordinator

## Agenda

- CARTAC – A recap
- Program Highlights
- Administrative and Financial Issues
- Looking to the Future

## IMF Capacity Development (CD)

- CD is one of three core mandates of the IMF that is least known but most appreciated.
- CD includes Technical Assistance (TA) & Training, delivered by IMF HQ and through regional centers
- CARTAC is one of nine IMF Regional Technical Assistance Centers (RTAC)



A Recap of CARTAC's Purpose: TO SUPPORT GROWTH AND STABILITY

**ACCELERATED GROWTH**

**MACROECONOMIC STABILITY**

**Improved Macroeconomic  
Policy Analysis**

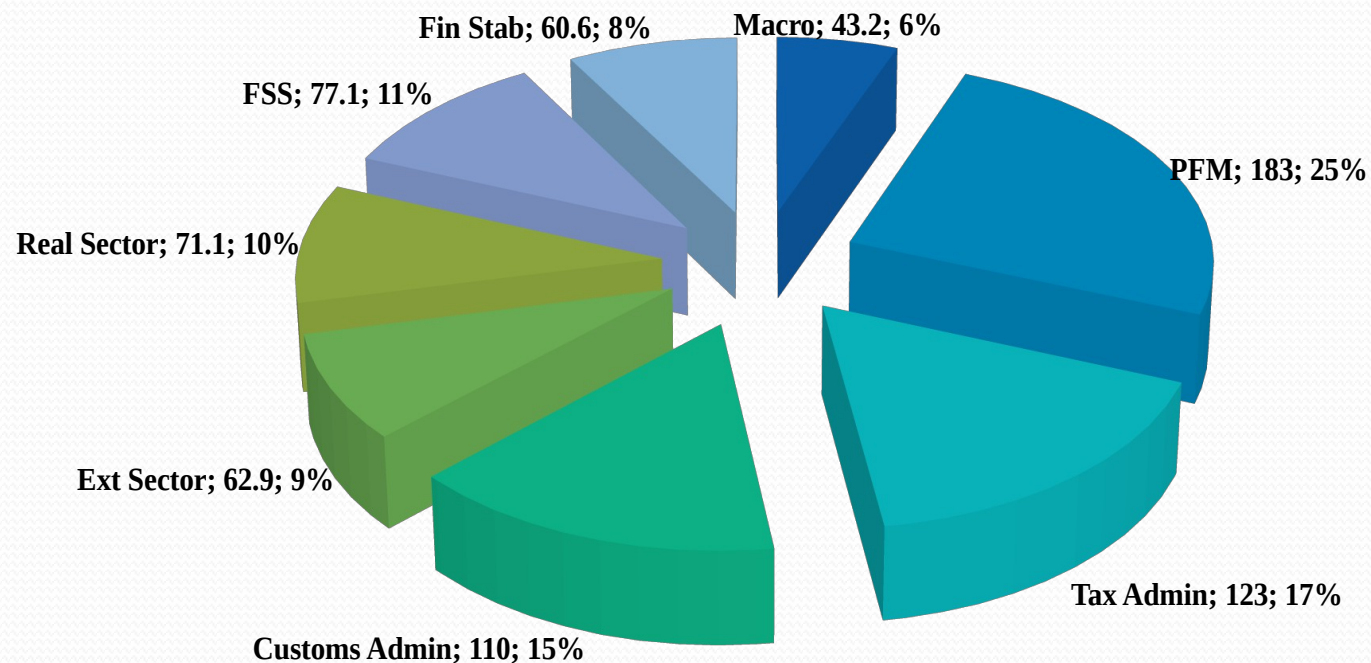
**Enhanced Capacity in  
Public Financial  
Management**

**Strengthening Capacity  
for Tax and Customs  
Administration**

**Improved Capacity to Produce  
Statistics for Economic Policy  
Making**

**Strengthening and  
Deepening the Financial  
Systems**

## FY15: TA Activity by Program

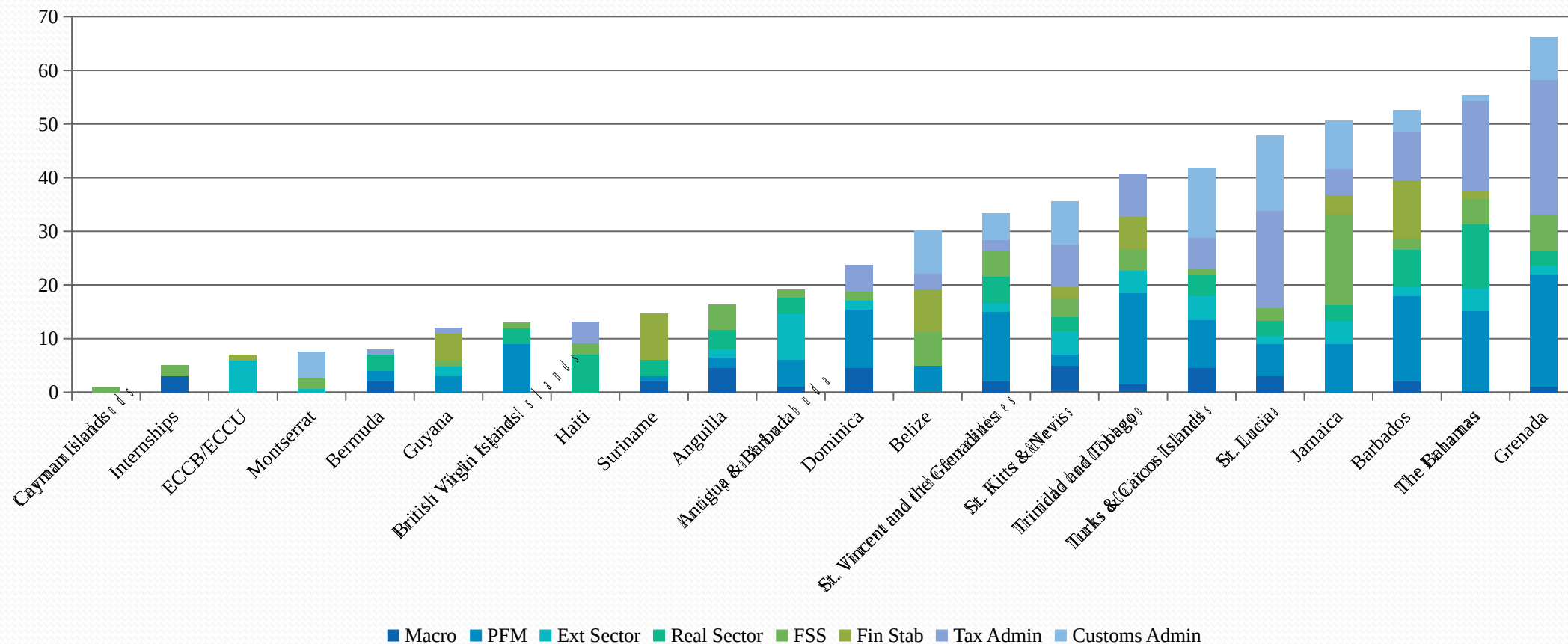


Of 730.9 weeks of *Demand Driven Technical Assistance* delivered in FY15 by resident & short-term advisors:

- *More than half was fiscal*
- *Statistics and Financial Sector about a fifth each*
- *Includes both TA delivered to members and regional workshops*



# FY15: TA Delivered by Country



## Good progress in harmonizing *Financial Sector Supervision* standards & processes...some delays with legislation/regulation, more emphasis on nonbanks, particularly through deepened capacity building & collaboration

- **Financial Sector Supervision:** strengthen financial sector regulation, supervision, and capital markets with enhanced and harmonized procedures meeting international standards. (Courtney Christie-Veitch)
  - In FY15, Basel II revised capital standards implementation advanced in 15 countries towards 2016 achievement, and good progress being achieved on Risk Based Supervision (RBS) including within the ECCU countries.
  - FY16: with addition of Belize & Guyana, now 17 countries working towards Basel II with end-2016 target. RBS gaining traction, with TA to Antigua & Barbuda, Haiti, and St Kitts & Nevis. Nonbank sector benefited from regional workshops to insurance and pension regulators, and credit union supervision being strengthened collaboratively with CACS. Both nonbanking & banking regulators met in Bahamas in September to take stock of financial sector issues and set future reform priorities.

**New *Financial Stability* program started well.....developing frameworks and *Financial Soundness Indicators*, upgrading capacity on *Macro-Prudential Policy Frameworks*, Toolkit, Operational Frameworks; *Bank Stress-Tests* expanded and strengthened for nonbanks; *Crisis Management Plans* being reviewed & upgraded...**

- **Financial Stability:** strengthen stability of the financial sector and enhance macro-prudential policy, stress-testing, and crisis preparedness/management (Shelton Nichols)
  - In FY15, newly launched program, first for region and Fund. Emphasis on building awareness, buy-in, and developing a program through fact-finding missions and 4 workshops. Tentatively good results in development of systemic risk indicators in 3 countries, two members upgraded their financial stability reports, and stress testing enhanced by another two countries.
  - FY16: program now at full strength with progress to develop risk indicators for non-deposit takers (insurance/pension sectors); macro prudential measures developed for Belize; and intensive dynamic modeling support to stress-test ECCU banks within restructuring/resolution strategy. Crisis management training delivered to pension regulators.



ECCU members received extensive *Macroeconomic Programming* TA, with program expanded to other members... with a renewed emphasis for *economic projections* and *economic policy* analysis...which are vital for *medium-term fiscal frameworks* that underpin the Budget process...noting importance of fiscal strategies being *published* for *fiscal transparency*...all of which require sound *institutional settings*.

- **Macro:** improve macro and fiscal forecasting, more timely reporting, and improve policy analysis. (Andrew Ceber)
  - In FY15, policy units strengthened/created; cross-cutting work with PFM on policy analysis; and key role in managing internship program.
  - FY16: a May workshop led to all ECCU countries preparing a medium-term macroeconomic framework to stabilize debt at 60 percent of GDP. Through a joint PFM workshop, this was input into fiscal strategy documents and Cabinet proposals. Advisor able to respond immediately to TA requests from new governments in Guyana and Trinidad following elections, and in post-disaster macroeconomic assessment in Dominica.

***Public Financial Management (PFM) systems have improved in the region, particularly in areas where CARTAC is active. The legal framework and a strong Ministry of Finance are the basis for a sound PFM system ... especially in budget preparation and managing fiscal risks. Reporting and transparency are also vital.***

- **PFM:** strengthen aggregate fiscal discipline, strategic allocation of resources and efficient service delivery. (Matthew Smith & Celeste Kubasta)
  - In FY15, region improving in PEFA Core PFM, particularly policy based budgeting and predictability and control in budget execution
  - FY16: delivered PEFA using new methodology in Grenada, plan for Dominica delayed till February. Five more countries (up from 3) now utilize comprehensive budget manuals; and compliance with international accounting standards advanced in Trinidad. On fiscal risks, many countries continue to have delays in issuing audited financial statements, and internal audit functions remain under resourced, with CARTAC focusing on road maps to improvement. Efforts accelerated and grew on State Owned Enterprise reforms in Barbados, building on gains in Grenada, and in conjunction with World Bank SEMCAR project.

**In Revenue Administration, most countries now have a VAT. Risk management is well understood but unevenly implemented. Streamlining operational procedures advances. Organizational re-structuring could improve operational and strategic outcomes. While capacity has improved, measuring performance remains a challenge.**

- **Revenue:** improve tax revenues as a percentage of GDP.  
 (Stephane Schlotterbeck & Norris Miller – Tax Admin; Stephen Mendes– Customs Admin)
  - In FY15, VAT launched in Bahamas and ongoing effectiveness in St Lucia confirmed; large/medium taxpayer compliance improving with new units; new customs laws being adopted; and data matching highlighting tax evasion.
  - FY16: Tax incentive regime overhauled in Grenada, organizational reform underway in St Vincent, St Lucia, & Grenada, and support provided to Jamaican semi-autonomous tax admin. Enactment of Tax Admin Procedure Act in Grenada, but pending in Antigua. VAT help to Suriname scaling up. Valuation, classification and post-clearance audit customs training delivered, and proposed customs reorganization in Belize, Grenada, and Anguilla would strengthen operations



**Evidence based policy making requires timely and good quality *economic statistics*. CARTAC targets improving measures of *economic activity and final demand* and measurement of *prices and inflation*. *External sector transactions* need to be measured accurately and timely as well as *external investment positions*.**

- **Statistics:** produce high quality and timely real and external sector statistics to inform macroeconomic policy. (Chandar Henry & Zia Abbasi)
  - In FY15, new Balance of Payments surveys developed/deployed in ECCU; 5 countries with better GDP data; 3 members updated CPI; and 8 countries surveying International Investment Position (IIP) for first time.
  - FY16: real sector program scaled-up with new advisor. Bermuda now disseminates quarterly GDP and Bahamas soon. Supply and Use Table (SUT) developed in Bermuda, Cayman, St Lucia, and St Vincent and National Accounts reviewed in all plus St Kitts. BOP data for 2014 based on BPMS6 for ECCU countries to be disseminated by end-2015.

## Building Regional Capacity

- **Internships:**

- Long-standing and highly appreciated program to place economics students from three UWI campuses into regional central banks and CARTAC over June – August break.
- In FY15 (summer of 2014): 9 interns placed, 2 in CARTAC and 7 in Central Banks of Barbados and Trinidad & Tobago and Eastern Caribbean (ECCB)
- In FY16 (summer of 2015): 11 interns placed, 2 in CARTAC and 9 in Central Banks of Barbados, Jamaica and Trinidad & Tobago and Eastern Caribbean (ECCB), and Jamaican Financial Services Commission

- **Attachments:**

- Program to cover costs to place officials from an agency of a member country into a fellow agency of another member that has had success with a recent reform or innovation to seek opportunities to apply the lessons learned.
- In FY15: 13 officials attached
- In FY16/H1: 7 officials attached



## Administrative & Financial Issues

- Team of experts stable and at full strength with 11 advisors. Two expert rotations due in early 2016 (tax admin and external sector statistics), more later in 2016 (PFM, Financial Supervision, Macro).
- External Evaluation: report final, action plan being implemented
- Operational streamlining is bedding down: planning and budgeting stronger; data capture and analysis improving with savings opportunities emerging; reporting accelerated and enhanced; and outreach expanded
- Results Based Management (RBM) enhancements being deployed, benefit of a temporary resident expert
- FY16 on track for optimal level of CARTAC operations and baseline for next phase from 2017 – 2022 at approximately \$1 million/per month
- Possible cashflow challenges in final eight months of current phase (May – December 2016) if all member contributions are not received: minor program scaling-back may be necessary, with TA directed to highest priorities

## Looking to the Future of CARTAC

- **Fourth Phase:** extended through December 2016
- **Weathering the Fallout of the Global Financial Crisis:**
  - CARTAC support helped mitigate the impact of the crisis: major revenue collapse has been averted, regional financial crisis has been contained, PFM and Statistical systems and institutions are being shored up for the future, and capacity is being built to support much needed economic growth
- **Fifth Phase must Sustain and Build on Past Success**, contributing to debt reduction, fiscal consolidation, capacity for sound economic policy making and stronger growth
- **Planning for Fifth Phase:** Will run 64 months: January 2017 to April 2022
  - Major stakeholder event on June 2 discussed strategy and priorities for the future
  - IMF Interdepartmental Working Group agreed strategic priorities recently endorsed by Deputy MD
  - **Program Document** being finalized by January 2016 to articulate Phase V priorities, program characteristics, delivery modalities, resource requirements, and financing targets.

## Phase V Financial Overview

- **Budget target is \$ 69m**, based on an FY16 average monthly delivery cost of approximately \$1 million uplifted by a 2 percent annual deflator
- **Member countries are expected to contribute 16.5 percent of costs** (six annual \$100,000 contributions), and 7.7 percent of costs met by IMF and Barbados as host country
- **75.8 percent of financing is sought from donors.**
  - One major phase IV donor (Australia) may not contribute: \$5+ million gap to fill.
  - Encouraging signals from traditional donors (UK, Canada, EU and CDB) of strong support for next phase.
  - The magnitude and timing of financing are critical to ensure a smooth transition and to allow for any remaining gap to be covered.