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Reducing Poverty, Sustaining Growth—What Works, What Doesn't, and Why  
A Global Exchange for Scaling Up Success

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## **Caribbean Technical Assistance Centre (CARTAC)**

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## **Executive Summary**

The Caribbean Regional Technical Assistance Centre (CARTAC) is a regional resource, based in Barbados, which provides technical assistance in core areas of economic and financial management at the request of 20 participating countries.

CARTAC's mission is to enhance the institutional and human capacities of countries in the Caribbean region to achieve their macroeconomic, fiscal and monetary policy objectives. It does this by providing technical services in four core areas: public expenditure management, tax/customs policy and administration, financial sector regulation and supervision, and economic and financial statistics. The Centre project started in 2001 and will end in 2004. The total budget is US\$15.4 million.

From a development assistance perspective, CARTAC was seen as a mechanism to facilitate a greater degree of donor-recipient co-ordination in economic reform. The International Monetary Fund (IMF) and United Nations Development Programme (UNDP) recognized that CARTAC activities should be co-ordinated with those of other donors in the region, including another Canadian project, the Eastern Caribbean Economic Management Program, Phase III (ECEMP III).

CARTAC has been, and should continue to be, primarily reactive rather than proactive so all activities are owned by the participating country or the region. There appears to be general agreement that CARTAC results have been significantly positive; this is borne out by the Mid-term review (MTR) evaluation. Outputs to date have justified the cost of the inputs used to achieve these results, and a second phase of three years is being considered.

The longer-term and higher-level results and impacts will take time to develop and will be a challenge to measure. CARTAC has developed a set of indicators to measure change over time, which can be used to measure longer-term results and impacts.

## **Implementation Process**

The Caribbean Regional Technical Assistance Centre (CARTAC) is a regional resource, based in Barbados, which provides technical assistance in core areas of economic and financial management at the request of participating countries.

### **Objectives**

Countries in the Caribbean face similar problems in meeting standards of economic and financial governance expected of them by their citizens and by investors. CARTAC was created to enhance the institutional and human capacities of these countries to achieve their macroeconomic, fiscal and monetary policy objectives by developing skills and institutional capacity at the national, regional and international levels.

CARTAC provides technical services to improve and strengthen the capacities in four core areas: public expenditure management, tax/customs policy and administration, financial sector regulation and supervision, and economic and financial statistics. CARTAC's resources are available for:

- Undertaking diagnostic work to identify and design measures needed to strengthen specific aspects of economic and financial governance.
- Preparing detailed implementation plans.
- Assisting with implementation.
- Reviewing proposals or assessments by governments or other donors for consistency with internationally agreed standards.
- Providing hands-on technical advice and training either by the Centre's own advisers or by contracted CARTAC consultants.
- Organizing training courses, seminars, workshops and the dissemination of best practices.
- Arranging professional attachments for skills upgrading.

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

The Canadian International Development Agency (CIDA) contributed C\$8 million<sup>1</sup> in the form of a grant during FY2000–01 for the establishment of the US\$13.4 million<sup>2</sup> Centre. Total contributions have reached US\$15.4 million.

## **Rationale**

From Canada's perspective, the rationale for providing support is the relevance of CARTAC to the needs of the countries in the region. The program is supportive of CIDA's own strategy of fostering regional solutions and supporting common economic and financial management frameworks to facilitate regional integration. This includes sub-regional integration or economic union within the Organization of Eastern Caribbean States (OECS). Additional factors include making a significant contribution to better economic management, supporting the relationship with another Canadian project (the Eastern Caribbean Economic Management Program Phase III- ECEMP III), CARTAC's expected role with respect to the offshore financial centre issue affecting the relationship of the Organization for Economic Co-operation and Development (OECD) with the Caribbean, and the strong support of Caribbean countries.

CARTAC was expected to address, at least in part, the need for closer supervision of offshore financial centres in the region. The OECD notified countries having such centres that

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<sup>1</sup>Estimated at US\$5.2 million at March 2001 exchange rates.

<sup>2</sup> Estimated at C\$21.07 million at March 2001 exchange rates.

their supervision of these centres must improve or they could face sanctions. This threat to one of the few options for economic activity available to the small Caribbean islands provoked a sharp political reaction from the region. The OECD had been consulting with the region on resolution of the offshore financial centres issue, and CARTAC was seen as a large part of the solution in terms of technical assistance to address the supervision issue. Canadian support for CARTAC was congruent with Canada's standing in both the OECD and the region. From a development assistance perspective, CARTAC was seen as a mechanism to facilitate a greater degree of donor–recipient co-ordination around economic reform issues.

Another project supported by CIDA, the ECEMP III, has four components with a capacity development approach: public expenditure management, tax policy, improving government audit functions and public revenue management. The ECEMP is designed to respond to priorities identified by OECS partners involved in fiscal and financial management reforms. The IMF and UNDP recognized that CARTAC's activities should be co-ordinated with those of other projects in the region, including the ECEMP.

### **Political Context**

After the needs assessment carried out by a joint UNDP/Caribbean Development Bank (CDB) team from March to May 2000, CARTAC was formally accepted by the Council of Finance and Planning (COFAP) Ministers of Caribbean Community (CARICOM) at their January 2001 meeting. Support of Caribbean countries for the project has remained strong to date, as evidenced by the findings of a mid-term review.

### **Consistency of Objectives with Poverty Reduction Strategies**

CARTAC interventions appear to be most successful when fully integrated into a development strategy and work plan developed and owned by the participating country. No activity should be undertaken unless requested by an individual government or regional body. CARTAC has been, and should continue to be, responsive rather than proactive so all activities are owned by the participating country or the region.

### **Institutions Involved and Initial Commitment**

CARTAC operates as a UNDP project (UNDP RLA/01/011). It is financed from contributions from bilateral and multilateral donors, by payments-in-kind and by annual contributions from participating countries. The principal contributors are Barbados, the Caribbean Development Bank, the Canadian International Development Agency, the Department for International Development (DFID, United Kingdom), the European Union, the International Bank for Reconstruction and Development (IBRD), the Inter-American Development Bank (IDB), Ireland, the International Monetary Fund (IMF), the United Nations Development Programme (UNDP) and the United States Agency for International Development (USAID).

The most significant project with which CARTAC is collaborating is ECEMP III. However, CARTAC also collaborates with two other CIDA-funded programs in the OECS: the

Ottawa-based International Advisory Group, Office for Supervision of Financial Institutions (OSFI) which also assists OECS countries to enhance their financial supervisory systems, and the London-based Financial Sector Strengthening and Reform (FIRST) Initiative, which assists the Eastern Caribbean Central Bank (ECCB) in various areas.

Contributions pledged to the initial three-year budget (in US funds) are CIDA \$5.2 million, World Bank \$2.06 million, EU \$2.06 million, DFID \$820,500, IDB \$820,500, USAID \$650,000, UNDP \$200,000, Ireland \$114,000, and each participating country \$30,000 each.

The IMF is the executing agency. It has provided an IMF staff member as the program co-ordinator, contracted the long-term advisers, helped set up the office and computer systems in Barbados, provided backstopping for the long-term advisers, and helped find short-term technical advisers. In addition to funding the program co-ordinator, the IMF also funds two of the assistants in the CARTAC office.

Strategic direction for the program is provided by a steering committee, which meets every six months, with six representatives of the participating regional countries, four from the bilateral and multilateral agencies supporting the program, and one each from the Caribbean Community Secretariat and the CDB. Day-to-day implementation is the responsibility of a program co-ordinator provided by the IMF, based at CARTAC headquarters in Barbados.

### **Other Actors Involved**

As mentioned above, a needs assessment was carried out by a joint UNDP/CDB team in 2000. CARTAC co-ordinates closely with the ECCB and the CDB. The initial degree of commitment was satisfactory.

### **Preliminary Results and Initial Objectives**

The expected results include improved public expenditure management capacity, better capacity for tax and customs administration, improved capacity to produce statistics for economic policy making and strengthened offshore financial institutions.

The inputs and outputs of CARTAC during the first 18 months of its existence have been significant. The number and cost of these interventions have been appropriate, and the value of the results has been positive.

- Hundreds of people have received thousands of person-days of training.
- Immediate increases in productivity in the workplace have been reported by many people.
- Numerous strategies and detailed action plans have been co-developed with participating countries in all four areas of CARTAC activities.

Many secondary benefits were reported, such as increased networks among people with the equivalent position in neighbouring countries, sharing problems, solutions and best practices, and seconding staff to neighbouring countries to resolve specific issues.

## CARIBBEAN TECHNICAL ASSISTANCE CENTRE (CARTAC)

CARTAC has recently developed Indicators of Change, which should help any future evaluator measure results and impacts. There appears to be general agreement that the program interventions to date have been positive; this is borne out by the Mid-term review evaluation. This includes supportive impacts in areas in which the ECEMP is working, such as consolidation of the use of a “Smart Stream system,” which presents modern financial management approaches and tools, and results from the Stabilization and Adjustment Technical Assistance Program (SATAP), now covering all six OECS countries, and in which CARTAC and the ECCB are working closely together.

The technical assistance delivery model used for CARTAC is well suited both to the particular needs of small countries, with the ability to provide ongoing advice and capacity support, and to the provision of such assistance on a cost-effective basis. Resident advisers are in place for a reasonable period and able to provide continuing advice through short-term, relatively inexpensive interventions. Being based in the region reinforces this. The extensive use of experts from regional governments and regional consultants enhances cost effectiveness. The outputs delivered, as confirmed in the recent MTR evaluation, have been impressive in their number (and in the quick start to the program). The MTR evaluation also assessed unit costs as reasonably well contained.

Five resident advisers cover the four core areas (with two for financial sector regulation and supervision). The resident advisers initially visited countries seeking support to undertake a diagnostic review of needs and priorities, and to develop a strategic framework for assistance. This considered any existing program framework, as in the case of Guyana and the OECS. A work plan was developed, taking into account what would be undertaken by the country and by other donors, with CARTAC concentrating on shorter-term interventions, including technical advice from the resident advisers, specific training activities or seminars, short-term experts and consultants, and incoming or outgoing professional attachments. There has also been support for particular problems that have arisen, such as in the case of Dominica, with CARTAC able to respond flexibly and quickly in such circumstances. A number of activities have been at the Caribbean regional or OECS sub-regional level.

Most interventions to date have been for the OECS countries (individual countries and at the sub-regional level, including the ECCB), the Caribbean region as a whole, and Barbados and Guyana. Other regional countries have benefited from a number of activities, with the exception to date (other than for regional conferences and training sessions) of the Dominican Republic, Haiti and Montserrat.

Participating countries were impressed at how quickly and how well CARTAC had become integrated into the region. As a result of this integration, CARTAC did not duplicate the work of other multinational or bilateral agencies and their projects. CARTAC has been able to complement the work of other agencies and is able to use both its ability to move quickly and its technical capacity to fill a niche other agencies are unable to fill.

Participating countries all agreed that CARTAC’s activities were more effective when the country had a well-developed strategy and action plan. This action plan could have been

developed before the creation of CARTAC or with the assistance of a CARTAC long-term adviser. Regardless of the genesis, the important point is that there should be an action plan and that plan, must be owned and supported by the participating country.

Many countries in the region face common issues yet, for various reasons, the skills and lessons learned in one country are not easily applied in others. CARTAC has been able to overcome this problem in a number of ways, such as creating the Public Expenditure Management (PEM) Network, holding the Smart Stream Users Conference and the secondment of experts from one country to another. Participating countries appreciate the fact that CARTAC's advice is practical and hands-on. There is a general sense among participating countries that the region sometimes lacks implementation abilities. CARTAC is seen as useful in bridging this gap between theory and implementation.

Demand for services is extremely strong, but a few countries have been slow to avail themselves of CARTAC services. The reasons for not participating are quite varied. Some initial reluctance related to CARTAC's newness, and the jurisdictions were not aware of the range and quality of services and how to go about requesting such services. Another factor appears to have been related to caution regarding CARTAC's association with the IMF. These concerns have been overcome, and more requests are now coming from such countries.

Some countries did not immediately have the capacity to absorb CARTAC services. The jurisdictions are working to rectify the situation and expect requests for appropriate assistance will be forwarded to CARTAC in the future. Others had more pressing problems to attend to and were not able to plan work effectively to integrate CARTAC's assistance into their work plans. Some were formulating overall plans and did not want to get involved with CARTAC until their own plans were clear and it could be determined how CARTAC could best help, while others believed they were able to manage without CARTAC involvement. Some have had reform programs underway even before CARTAC came on the scene. They are continuing their programs and can see a need at a later stage for CARTAC's involvement. Finally, some countries have greater capacity than others to resolve their own issues, and it appears these countries have been slower than others to use CARTAC's services.

### **Adjustments to the Original Plan**

CARTAC required more resources for the OECS states to date than originally planned. OECS countries were quick to draw on CARTAC resources and CARTAC responded quickly.

In one instance, CARTAC departed from its original plan to provide only short-term advisory services: due to the financial crisis in Dominica, CARTAC provided a medium-term macroeconomic adviser to assist the Dominican government.

## **Impact analysis**

### **Efficiency in Resource Use**

In the longer run, the success of CARTAC will be judged on results at the outcome and impact levels. Measuring these longer-term results will be a challenge. CARTAC has recently developed indicators of change, which should help any future evaluator measure results. One mid-term review finding (August 2003) is that CARTAC takes due regard to cost in all its activities and is efficient in providing inputs.

Longer-term positive impacts are also likely to result from improved policies and systems, and since CARTAC provides support for country-level capacities to apply internationally agreed standards and best practices, it supports the convergence and integration objectives of the Caribbean Single Market and Economy (CSME). It should also reinforce the ECEMP's effectiveness in the Eastern Caribbean, in terms of sub-regional economic integration.

### **Impacts in Terms of Poverty Indicators**

CARTAC has developed a number of indicators of change that will be used, inter alia, to determine long-term results. Public sector reform is a prerequisite of growth with equity, leading to poverty reduction.

## **Driving factors**

Countries in the region face similar problems in meeting the standards of economic and financial governance expected of them by their citizens and investors. CARTAC was created to help develop skills and institutional capacity to meet these standards at the national, regional and international levels.

### **Commitment and political Economy for change**

CARTAC has, in the view of the participating countries, filled an important role in the Caribbean. Recipients have been uniformly satisfied with the quality of assistance. During the MTR, several countries mentioned that the Council of Ministers of Finance and Planning of CARICOM had publicly expressed its support of CARTAC activities. The MTR found that all participating countries spoke very highly of the need for CARTAC. From the point of view of the participating countries, CARTAC is a success. In general, respondents to the MTR expressed confidence that the improvements in their country as a result of CARTAC's assistance were sustainable. Interviewees with first-hand knowledge of some of the training courses or advisory missions expressed satisfaction with the speed and quality of assistance provided. The ability to share experiences with regional counterparts has been one of CARTAC's more important contributions. As a result of its positive achievements and the regional buy-in, a second phase of three years is under consideration.



## **Institutional Innovation**

Almost all respondents to the MTR spoke of CARTAC's openness to requests, the speediness of its response, the quality of its inputs and its key strategic support at crucial junctures.

The economic situation in the Caribbean has not remained static over the last two years. Before the creation of CARTAC, many countries were under pressure from declining prices for farm commodities and the downturn in tourism. This rapid decline in fortunes has caused crisis or near crisis situations in some countries and extreme caution in others. Perhaps the worst hit area is the OECS in general, and Dominica in particular. CARTAC, which already had a large program planned for the OECS, responded by increasing the resources allocated to these countries, particularly Dominica, and across the board in the other OECS countries to help prevent the situation in Dominica from spreading. The creation and strengthening of the SATAP in individual OECS countries, in collaboration with the ECCB, is another example of this responsiveness to changing needs in the region.

## **Learning and experimentation**

CARTAC's mandate is limited; therefore, its work is most effective when complemented by another public sector reform project. For example, countries often need ongoing assistance in areas such as operationalizing new financial systems. The ECEMP can perform this role while CARTAC has no mandate for operationalization. CARTAC and the ECEMP can also work together on value added tax (VAT) implementation, since they bring different and complementary technical assistance expertise to the table.

## **External Catalysts**

Many CARTAC training sessions and seminars have exposed participants to issues occurring in other jurisdictions. This has led to a greater acceptance to seeking regional solutions, where they make sense. Regional secondments and attachments are a good example of how regional thinking is expanding. CARTAC is always aware of the desire for a regional approach. In striking a balance between regional-level and national-level activities, CARTAC endeavours to target interventions that will be the most cost effective and deliver the greatest impact. Interventions appear to be most successful when they are fully integrated into a strategy and work plan that is developed and owned by the participating country. A number of donors, that were not originally at the table, such as Ireland, have subsequently become donors.

## **Lessons learned**

Advisers are more effective when based in the region, because relationships are built and continuity gains are experienced.

From the CIDA point of view, a grant contribution to an international partner has been a very effective and efficient process. It encourages donor co-ordination and facilitates a Sector Wide Approach. With good reporting and feedback from the executing agency and from the field

office, concerns are soon dissipated regarding the lack of control the donor could have on the implementation of the activities.

## **References**

CARTAC mid-term review by Bucknall and others, August 2003

CARTAC website [www.cartac.com.bb](http://www.cartac.com.bb)