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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX 4**

to the Commission Implementing Decision on the financing of the annual action plan part 1 in favour of Americas and Caribbean region for 2023

**Action Document for Support to the Caribbean Regional Technical Assistance Centre (CARTAC) Phase VI 2024 – 2029**

**MULTIANNUAL PLAN**

This document constitutes the multiannual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation.

## 1 SYNOPSIS

### 1.1 Action Summary Table

<b>1. Title</b> <b>CRIS/OPSYS</b> <b>business reference</b> <b>Basic Act</b>	<b>Support to the Caribbean Regional Technical Assistance Centre (CARTAC) Phase VI 2024 – 2029</b> <b>OPSYS number: ACT-62109</b> Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
<b>2. Team Europe Initiative</b>	No
<b>3. Zone benefiting from the action</b>	The action shall be carried out in the Caribbean Region Specifically the following locations: Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.
<b>4. Programming document</b>	Caribbean window of the Multi-Annual Indicative Programme (MIP) for the Americas and the Caribbean 2021-2027
<b>5. Link with relevant MIP(s) objectives / expected results</b>	<u>Americas and the Caribbean MIP</u> Priority area: Partnership “Governance, Security and Human Development” MIP specific objectives and expected results under of the Caribbean Window: S.O.1: Caribbean societies are safer, more inclusive and resilient. Expected Results per Specific Objective: R.3: Caribbean public administrations are more accountable and compliant with international norms.
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>6. Priority Area(s), sectors</b>	151 Government and civil society – general 240 Banking and Financial Services

<b>7. Sustainable Development Goals (SDGs)</b>	Main SDG (1 only): SDG 8 Decent work and economic growth Other significant SDGs (up to 9) and where appropriate, targets: SDG 1: Eradicating Poverty; SDG 5: Gender equality; SDG 13 Climate action.			
<b>8 a) DAC code(s)</b>	15111 Public finance management (20%); 15114 Domestic Revenue Mobilisation (20%); 15142 Macroeconomic policy (20%); 24010 Financial policy and administrative management (20%); 24020 Monetary institutions (20%);			
<b>8 b) Main Delivery Channel</b>	International Monetary Fund (IMF) 43000			
<b>9. Targets</b>	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
<b>10. Markers (from DAC form)</b>	<b>General policy objective @</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>11. Internal markers and Tags:</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Digitalisation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity digital governance	YES <input type="checkbox"/> <input checked="" type="checkbox"/>	NO <input checked="" type="checkbox"/> <input type="checkbox"/>	/

	digital entrepreneurship	<input type="checkbox"/>	<input checked="" type="checkbox"/>	/
	digital skills/literacy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	digital services	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Connectivity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	YES	NO	/
	energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	education and research	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>BUDGET INFORMATION</b>				
<b>12. Amounts concerned</b>	Budget line(s) (article, item): 14.020141 Total estimated cost: EUR 70,420,000 Total amount of EU budget contribution EUR: 2,200,000 <i><b>This action is co-financed in joint by:</b></i> <i><b>- International Monetary Fund (IMF) for an amount of Euro 4.9million;</b></i> <i><b>- Cariforum Member States for an amount of Euro 16.68million;</b></i> <i><b>- Third party donors (FCDO, USAID, Canada, Mexico and CDB) for an amount Euro 46.64million . ( The individual contribution of each donor has not yet been defined)</b></i>			
<b>MANAGEMENT AND IMPLEMENTATION</b>				
<b>13. Type of financing</b>	Indirect management with the International Monetary Fund (IMF).			

## 1.2 Summary of the Action

One of the primary aims for the strengthening of the regional integration and cooperation processes in the Caribbean is the securing of sustainable growth and development, and eradicating poverty throughout the region. To be successful at these efforts and to deepen integration requires, among other things, fiscal discipline and financial soundness within individual member states. Moreover, capacity within countries to implement regional and national policies to bring about these outcomes is at times insufficient or at worst non-existent. Hence, economic policymakers face an extremely complex policy environment which poses difficult trade-offs to address the emerging challenges in addition to the unprecedented longer-term challenges, such as increased inequality, escalating economic fragility, a growing digital divide, and the existential threat of climate change and biodiversity loss; and to continue to pursue inclusive sustainable economic development. The covid crisis added considerably to these challenges as it severely affected public finances on the income and expenditure side.

The Caribbean Regional Technical Assistance Centre (CARTAC), one of the International Monetary Fund's (IMF) Regional Technical Assistance Centres (RTACs), has been instrumental in capacity building (through Technical Assistance (TA) and training) in key macroeconomic institutions within the region. Recognizing the success of the capacity development model of IMF in core macroeconomic areas, and the importance of its complementarity to the programmes of the European Union in the targeted countries of the Caribbean, the European Union has been

supporting CARTAC under the 10<sup>th</sup> and 11<sup>th</sup> EDFs, through the various Phases, including the current Phase V (2017-2022).

As it enters Phase VI (2024 – 2029), CARTAC's work program will continue to enable countries within the region to resolve critical issues that continue to plague the region: low growth (macroeconomic programming and analysis); large fiscal deficits and high debt levels (PFM; revenue administration), financial sector weaknesses (financial stability and supervision) and climatic risks (climate resilience and risk mitigation). CARTAC's strategic objective is "to support inclusive and sustainable economic growth and stability in the Caribbean, through increased fiscal space, financial sector stability and risk mitigation, and enhanced capacity for macroeconomic statistics and analysis, in a responsive and effective manner." In particular, CARTAC will support domestic revenue mobilisation, through tax and customs administration reform, and stronger PFM systems.

In this context, the overall aim of the proposed intervention is the continued partnership with CARTAC to support inclusive and sustainable economic growth and financial stability in the Caribbean. Further the action is in line with the Caribbean-EU Partnership for governance, security and human development which will support Caribbean countries' efforts to strengthen the Caribbean regulatory frameworks on public finance management and adhere to international standards along with the adoption of good practices on AML (anti-money laundering), CTF (counter-terrorist financing) and good tax governance. More specifically, capacity development of National Governments and economic institutions, notably Ministries of Finance, Revenue (Tax and Customs) Authorities, Central Banks, Financial Sector Supervisors, Anti-Corruption Agencies, and Statistical Agencies in the Caribbean.

By extension, this action will also influence Regional (integration) Organisations – OECS, CARICOM, and CARIFORUM – in core economic aspects, which, will support the consolidation of macroeconomic, financial and fiscal frameworks and the integration of climate change and gender equality aspects to strategic allocation of resources. The action will build on the achievements of the hands-on capacity development provided to countries and regional organisations in the Caribbean region by CARTAC.

The proposed Action intends to contribute to the following **MIP specific objectives** and expected results under Partnership "Governance, Security and Human Development" of the Caribbean Window - S.O.1: Caribbean societies are safer, more inclusive and resilient. The Expected Results per Specific Objective of **"R.3: Caribbean public administrations are more accountable and compliant with international norms"**.

This action will contribute to the UN 2030 Agenda for Sustainable Development and to the progressive achievement of the following Sustainable Development Goals (SDGs): SDG 1: Eradicating Poverty and SDG 8 Promoting sustainable economic growth. In particular, CARTAC will support domestic revenue mobilisation, through tax and customs administration reform, and stronger PFM systems. This Action is therefore in line with the Addis Ababa Agenda of Action, which requires strong involvement of the beneficiary countries that commit to co-financing. It is also consistent with the EU's "Collect More – Spend Better" message and the EU flagship Domestic Revenue Mobilisation Initiative that will assist countries in achieving the SDGs in a sustainable manner. More precisely and in addition to continue conducting PEFA<sup>1</sup> assessments, CARTAC will also facilitate and finance TADAT<sup>2</sup> assessments.

The proposed Action will also further contribute to the implementation of Global Gateway<sup>3</sup> priority of Good Governance and Transparency (*Delivering projects that work for people will require transparency, accountability and financial sustainability*). Also, Equal partnerships (*Global Gateway projects will be designed, developed and implemented in close cooperation and consultation with partner countries*), while supporting Security-focused (*Global Gateway projects will invest in infrastructure to plug vulnerabilities, provide trusted connectivity, and build capacity in the face of natural or man-made challenges, physical, cyber or hybrid threats, and economic coercion for geopolitical aims*).

Finally, this Action will finance technical assistance that can be activated upon request to support jurisdictions in the Caribbean to implement international standards - in order to avoid possible listing as non-cooperative

<sup>1</sup> Public Expenditure and Financial Accountability <http://www.pefa.org/>

<sup>2</sup> Tax Administration Diagnostic Assessment Tool <http://tadat.org/>

<sup>3</sup> [https://ec.europa.eu/info/sites/default/files/joint\\_communication\\_global\\_gateway.pdf](https://ec.europa.eu/info/sites/default/files/joint_communication_global_gateway.pdf)

jurisdictions for tax purposes or high risk countries for anti-money laundering and terrorism financing purposes by the EU. This is a high priority issue for both EU/Member States and the jurisdictions within the region, for it has significant ramifications on the economies of all parties involved.

## 2 RATIONALE

## 2.1 Context

## General Context

The overall relationship between the EU and the Caribbean is defined by the “post-Cotonou” Partnership Agreement between the EU and the Organisation of African, Caribbean and Pacific States (OACPS). This Agreement, currently awaiting signature by the Parties, is an ambitious, comprehensive and balanced agreement, tailored – through the Caribbean Protocol of the Agreement – to the specificities of the relationship between the EU and the Caribbean. The new EU-OACPS Agreement, NDICI-Global Europe, the European Commission’s objectives (2019-2024), the Global Strategy for the EU’s Foreign and Security Policy and the “European Union, Latin America and the Caribbean: joining forces for a common future” Communication of 2019 are bringing to the forefront the geopolitical ambitions of the EU.

This shift was reflected in the Multi-Annual Indicative Programme (MIP) for the Americas and the Caribbean for the period 2021-2027, which includes a Caribbean window shaped around three mutually reinforcing Caribbean-EU partnerships. These partnerships were formally launched at a CARIFORUM-EU Ministerial meeting by Commissioner Urpilainen in October 2022. This has set the basis for the engagement between the EU and the 16 CARIFORUM countries for the period 2021-2027 and constitute the roll-out of the Global Gateway strategy<sup>4</sup> in the Caribbean.

The first ***Partnership for a Caribbean Green Deal***, aligned to Title II of the Caribbean Protocol of the new EU-OACPS Partnership Agreement, that aims at contributing to making the Caribbean more resilient to the impact of climate change and natural hazards, loss of biodiversity, and at supporting an inclusive green transition in Caribbean countries, though circular economy approaches, including through climate and environmental sustainable financing. A second ***Partnership for Economic Resilience and Trade***, in line with title I of the Caribbean Protocol of the new EU-OACPS Partnership Agreement, aiming at promoting the sustainable growth of Caribbean private sector and the trade opportunities of the Economic Partnership Agreement (EPA) and at facilitating regional responses to common challenges in the Caribbean. Finally, a ***third Partnership for Governance, Security and Human Development***, which is coherent with Title III and IV of the Caribbean Protocol, and aims at making Caribbean societies safer, more inclusive and resilient. It addresses several issues of joint interest, such as tax cooperation, fight against organised crime, including anti-money laundering and drug trafficking, as well as investments in health and pharmaceutical production.

These three Partnerships are structurally linked and contribute to the regional Team Europe Initiatives (TEIs) for Latin America and the Caribbean. The regional TEIs will be supported by actions across the partnerships, in particular the Green Transition TEI through partnership 1 and 2, the EU-LAC Digital Alliance TEI will be supported mainly (not exclusively) through Partnership 2 and the EU-LAC Justice and Security TEI through Partnership 3. The presence of MS in the region is very limited, but the TEIs will build on the recent announcement regarding the investments by the European Investment Bank (EIB) at a total of 250 MEUR for the Caribbean under the EFSD+. In this context the implementation plan of the Caribbean Window reflects the EU's will to consolidate its role as global actor, supporting efforts of the Caribbean to advancing on a green, digital and sustainable regional economic recovery and promoting multilateralism for addressing global challenge. Further, it will aid in the strengthening of the EU's stance on social cohesion, equality and governance in the region through promoting regional gender and social inclusive frameworks.

The action will also be indirectly aligned and coordinated with other private sector and EFSD+ initiatives reinforcing synergies among them across the region. For instance, technical assistance from Proposed Investment Programmes (PIPs) (generally focused towards specific policy, regulatory or project support in the concrete area

<sup>4</sup> Joint Communication: The Global Gateway | European Commission (europa.eu)

of intervention) will be by extension complemented by technical assistance under future support on the promotion of a more conducive and regulatory environment to do business.

### Specific Context

One of the primary aims for the strengthening of the regional integration and cooperation processes in the Caribbean is the securing of sustainable growth and development, and eradicating poverty throughout the region. To be successful at these efforts and to deepen integration requires, among other things, fiscal discipline and financial soundness within individual member states. Moreover, capacity within countries to implement regional and national policies to bring about these outcomes is at times insufficient or worst non-existent. The Caribbean Regional Technical Assistance Centre (CARTAC), one of the International Monetary Fund's (IMF) Regional Technical Assistance Centres (RTACs), has been instrumental in capacity building (through Technical Assistance (TA) and training) in key macroeconomic institutions within the region. As it enters Phase VI (2024 – 2029), CARTAC's work program will continue to enable countries to resolve critical issues that continue to plague the region: low growth (macroeconomic programming and analysis); large fiscal deficits and high debt levels (PFM; revenue administration), financial sector weaknesses (financial stability and supervision) and climatic risks (climate and environmental resilience and risk mitigation). CARTAC's strategic objective is "to support inclusive and sustainable economic growth and stability in the Caribbean, through increased fiscal space, financial sector stability and risk mitigation, and enhanced capacity for macroeconomic statistics and analysis, in a responsive and effective manner."

This Action intends to contribute to the MIP specific objectives and expected results under Partnership "Governance, Security and Human Development" of the Caribbean Window - S.O.1: Caribbean societies are safer, more inclusive and resilient. The expected Results per Specific Objective: ***"R.3: Caribbean public administrations are more accountable and compliant with international norms"***.

The overall objective of this Action is to support inclusive and sustainable economic growth and financial stability in the Caribbean. Further the action is in line with the Caribbean-EU Partnership for governance, security and human development which will support Caribbean countries' efforts to strengthen the Caribbean regulatory frameworks on public finance management and adhere to international standards along with the adoption of good practices on AML (anti-money laundering), CTF (counter-terrorist financing) and good tax governance.

The specific outputs are: (i) improving the effectiveness of public spending as well as fiscal and debt sustainability in the region; (ii) to strengthen the legal frameworks and supervision of banks and financial institutions as priorities for safeguarding financial stability; and (iii) to strengthen the capacity for data dissemination as well as improving the scope for monitoring outcomes and economic analysis.

The CARTAC methodology has been proven. The ability of a regionally based 'institution' with broad ownership (as reflected through its financing and governance arrangements) ensure that CARTAC's TAs are responsive to regional needs, and tailored to regional and country specificities. As part of the IMF, CARTAC can leverage the IMF's intellectual resources, as well as ensure that countries in, or near IMF-program status have the appropriate technical assistance support. In addition, the EU and the IMF have a long standing relationship in the region, which aids to promote key implementers for the delivery of the EU's development assistance programme.

This action will contribute to the UN 2030 Agenda for Sustainable Development and to the progressive achievement of the following Sustainable Development Goals (SDGs): SDG 1: Eradicating Poverty and SDG 8 Promoting sustainable economic growth. Further, it will contribute to the implementation of Global Gateway<sup>5</sup> priorities of Good Governance and Transparency (*Delivering projects that work for people will require transparency, accountability and financial sustainability*) and Equal partnerships (*Global Gateway projects will be designed, developed and implemented in close cooperation and consultation with partner countries*), while supporting Security-focused (*Global Gateway projects will invest in infrastructure to plug vulnerabilities, provide trusted connectivity, and build capacity in the face of natural or man-made challenges, physical, cyber or hybrid threats, and economic coercion for geopolitical aims*).

<sup>5</sup> [https://ec.europa.eu/info/sites/default/files/joint\\_communication\\_global\\_gateway.pdf](https://ec.europa.eu/info/sites/default/files/joint_communication_global_gateway.pdf)



## 2.2 Problem Analysis

**Short problem analysis:** The Caribbean's shallow and highly open economies, compounded by the vulnerabilities to natural disasters, will always be major problems for this region and its Governments ability to generate sustainable economic development. Moreover, the success of the regional integration process ultimately depends on the implementation at national level of CARICOM policies. However, there are often limited capacities at the level of the implementation particularly in small countries with small civil services. These are ever present concerns faced by the region.

**Economic:** The Caribbean's efforts to bring about sustainable development have been complicated by the economic reality of the territories in the region – small, undiversified economies, usually depending on the tourism sector as the main driver, combined with high levels of public debt relative to GDP, further exacerbate their vulnerability to external shocks. The region varies, in terms of income, from low income (Haiti) to high income (Antigua and Barbuda, etc.), with a majority of upper middle and high-income countries. This classification becomes nevertheless relative in light of the high vulnerability to natural hazards and economic shocks that Caribbean island states and low-lying countries are facing. Caribbean economies have been especially hard hit the past couple of years as COVID-19 shut down tourism and snarled global supply chains, causing Caribbean economies to contract three times more than the global average. In addition, higher global food and fuel prices, exacerbated by the war in Ukraine, are putting upward pressure on inflation, stretching governments and household budgets already stressed by the pandemic.

**Financial:** The COVID-19 crisis has affected in many ways the financial and fiscal policies in the Caribbean countries. Most countries, already under the constraints of high indebtedness and low fiscal space, have concentrated efforts and resources in supporting the productive apparatus and taking social measures able to counter the downfall of the labour market. This has resulted in an increase of the debt to GDP ratio at least in the short term, which is only slowly changing trend. These measures added up to the efforts of continuing building fiscal and financial resilience and investing in preparedness - which remain critical to reducing the large human and economic costs caused mainly by climate change and biodiversity loss. The main risks are related to the extreme vulnerability of the region to climate change and biodiversity loss, including slow onset events, and extreme weather events. Disasters derived from natural hazards have an impact on tourism sector earnings, FDI inflows and remittances, with adverse effects on the balance of payments, compounded by the need to import materials for rebuilding.

Notwithstanding these telling realities faced by the region, through capacity building (TA and training) of the relevant institutions and personnel, CARTAC will enable countries to resolve these critical issues that continue to plague the region: low growth (macroeconomic programming and analysis); large fiscal deficits and high debt (PFM; revenue administration) and financial sector weaknesses (financial stability and supervision). This Action will support CARTAC in implementation its work programme that will aid to address the critical and present bug-bearers that are primarily imbedded in the following areas:

**I. Fiscal Sector (Public Financial Management & Tax and Customs Administration)** Countries are trying to expand fiscal space to implement their medium-term growth and development strategies, and at the same time reduce public debt to a sustainable level. This requires a combination of measures to generate revenue and expenditure savings. CARTAC's revenue administration program will help to increase revenue outcomes and improve taxpayer compliance, from more effective tax and customs administration. CARTAC's work in PFM will improve the efficiency in government spending; it will involve TA to strengthen laws, improve policy-based budget preparation and budget execution and control; enhance the coverage and quality of fiscal reporting; and achieve a better integration of assets and liability management frameworks. As identified in the MIP, better PFM practices will also improve the business and investment climate.

**II. Financial Sector (Financial Stability and Supervision)** There is a need for the region to strengthen financial sector stability through better supervision of bank and non-bank financial institutions and improved surveillance of systemic risks. This will involve strengthening legal and regulatory frameworks, supervisory processes, and technical capacity in financial sector institutions. CARTAC's work in this area will also contribute to the Expected Results per Specific Objective of the MIP "R.3: Caribbean public administrations are more accountable and

compliant with international norms”. Further, it will support the increasing compliance of countries with international norms on financial crimes, terrorism financing and corruption.

**III. Macroeconomic Statistics & Programming/Analysis.** CARTAC support will continue to bring statistical agencies, which face capacity and funding constraints, up-to-date with international best practices for compilation and dissemination of statistics, which for some sectors are lacking or of poor quality, but are absolutely necessary for sound policy development and monitoring implementation. The Macroeconomic Programming and Analysis program will continue to focus on building capacity in the country macroeconomic policy teams to develop medium-term macroeconomic frameworks that support sound policy analysis and implementation.

**Stakeholders covered by the action:**

The Action targets and directly impacts key fiscal, financial and macroeconomic institutions in the Caribbean. Further, along with the key macroeconomic institutions in the Caribbean, the private sector; banking and non-banking actors stand to benefit from this Action. The principle target groups of CARTAC work are staff in ministries of finance, sector ministries, national statistical offices, and central banks. Target groups also include the private sector, in the context of CARTAC work on financial sector supervision and regulation (both in the banking and non-banking sectors), and with regard to statistical data collection in the context of the external sector statistics programs, and the trading community in the context of revenue (and in particular customs). The main constraints facing the public sector as a target group include small size of administrations, lack of leadership in some areas, and insufficient funds for investments in IT and other systems. CARTAC addresses these constraints by delivering on a demand-driven basis, frequent follow up, training and TA, and targeted to regional specificities. Through the Steering Committee, and visits by the Program Coordinator, feedback from member countries, the EU and other development partners, is regularly sought and integrated into CARTAC’s work plans and approaches.

It is also critical to note, that by extension, this action also impacts the regional (integration) institutions – OECS, CARICOM, and CARIFORUM – will benefit, as capacity to implement relevant policies is enhanced within each member territory. Final beneficiaries are all citizens of the region, as improved macroeconomic management will result in better delivery of public services and improved economic opportunities.

## 3 DESCRIPTION OF THE ACTION

### 3.1 Objectives and Expected Outputs

The **overall objective** of this action is to support the operations of CARTAC to achieve its overall objective, which **is to support inclusive and sustainable economic growth and financial stability in the Caribbean**. In addition, the action seeks to achieve the further deepening of the Caribbean-EU Partnership for governance, security and human development which will support Caribbean countries’ efforts to strengthen the Caribbean regulatory frameworks on public finance management and adhere to international standards along with the adoption of good practices on AML (anti-money laundering), CTF (counter-terrorist financing) and good tax governance.

The **Specific Objectives** of this action are to:

1. Improving the effectiveness of public spending as well as fiscal and debt sustainability in the region;
2. to strengthen the legal frameworks and supervision of banks and financial institutions as priorities for safeguarding financial stability;
3. to strengthen the capacity for data dissemination as well as improving the scope for monitoring outcomes and economic analysis.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives are

- 1.1 **Output 1:** to increase fiscal space by improving revenue mobilisation and public financial management (**Fiscal Sector**);
- 2.1 **Output 2:** to enhance financial stability and risk mitigation, through capacity building for identification of emerging systemic risks, response plans, and the efficient use of supervisory resources to oversee key risks in the banking and non-banking sectors (**Financial Sector**);



3.1 **Output 3:** to address shortcomings in the quality, reliability, and timeliness of macroeconomic statistics, and enhance the capacity for macroeconomic programming and analysis (**Macroeconomic Statistics and Policy Analysis**).

## 3.2 Indicative Activities

**Activities relating to Output 1.1: Fiscal sector:** Enhancing public financial management (PFM) is critical to improving the effectiveness of public spending as well as fiscal and debt sustainability. For PFM, TA will be provided to bring CARTAC member countries closer to ‘core’ PFM standards, focussing particularly in improving laws and the effectiveness of PFM institutions; ensuring that budget preparation is comprehensive, credible and policy based; improving the coverage and quality of fiscal reporting, and budget execution and control; and strengthened identification and, monitoring and management of fiscal risks (from state owned enterprises and statutory bodies). Further to freeing up domestic resources for infrastructure investment and poverty reduction, improved PFM systems will ensure that development assistance is managed more effectively. In addition, TAs will be provided to aid the capacities of member states to review climate expenditure, which could be done through PEFA-Climate; and support in identifying climate expenditure objectives at sector level, in line with the Nationally Determined Contributions (NDCs) and that help to support to the determination of climate sensitive budgets.

Similarly, enhancing revenue mobilization and administration are critical to providing governments with more resources to invest in education and training, social safety nets, and public infrastructure. An important focus for CARTAC will be on maintaining, and increasing where possible, revenue from the region’s Value Added Tax (VAT) regimes, without distorting other policy objectives; ensuring that management and governance arrangements in revenue bodies (tax and customs) are focussed on resource mobilization in a transparent, effective and equitable manner. In the customs area, TA will focus on ensuring that organizational arrangements support effective delivery of strategy; that risk management for control and facilitation is adopted (thus contributing to ease of doing business and other competitiveness related metrics), and that CARTAC members’ capacity to fight fraud and smuggling is strengthened. CARTAC will also support the region’s efforts to improve tax good governance, addressing tax avoidance, tax evasion and tax fraud and protecting domestic tax bases against base erosion and profit shifting (BEPS).

Further, to ensure that a gender lens is applied in fiscal policies and the budget cycle, CARTAC, through building capacity for gender based budgeting, will facilitate capacity development within countries to have an increased attention to sex disaggregated data in tax systems and promotion of women’s financial inclusion by data collection for the IMF’s Financial Access Survey.

**Activities relating to Output 2.1: Financial sector:** The objective is to strengthen the legal frameworks and supervision of banks and financial institutions as priorities for safeguarding financial stability while creating the environment for deepening financial markets and access. Strengthening the legislation has already begun in ECCU<sup>6</sup> member states but regulatory frameworks and prudential standards need to be upgraded in most CARTAC members and capacities for implementation enhanced. The risk of spillovers from cross border activity also requires the harmonization of standards and strengthening of regional cooperative arrangements between regulators and supervisors. CARTAC’s provision of TA in enhancing supervisory frameworks, particularly the capacity for macro-prudential analysis, systemic risk assessments, and introducing consolidated supervision to enhance coverage of holding companies and other financial institutions, will assist in mitigating risks. Implementation of better legal frameworks and supervisory practices will help mitigate concerns about Anti Money Laundering/Counter Financing Terrorism (AML/CFT) and the risk of losing more correspondent banking relationships.

In addition, by building capacity for assessing the climate risks of public investments, as well as the impact of carbon / green taxes and phasing out inefficient fossil fuel subsidies and subsidies harmful to biodiversity, CARTAC will address increasingly issues relating to climate and environmental financing and risk insurance. Further, enhancing the capacities to gather evidence on risks to inform standards for sustainable financial

<sup>6</sup> Eastern Caribbean Currency Union

instruments; support the definition of “green” and climate-relevant standards that require regular reporting, external impact assessment and review; encourage natural capital accounting to integrate biodiversity conservation into sustainable development policies, and support Disaster Risk Finance. CARTAC also assists central banks in ensure that monetary policy takes account of climate change and biodiversity, and that supervisors can incorporate climate and environmental risks in stress testing. ATI will continue to roll-out its courses on the macroeconomic impacts of climate change and biodiversity loss and specifically on climate and environmental financing.

**Activities relating to Output 3.1: Macroeconomic statistics and policy analysis:** The aim is to strengthen the capacity for data dissemination as well as improving the scope for monitoring outcomes and economic analysis will be vital to providing a better foundation for policy making. Achieving this will require addressing shortcomings in the quality, reliability, and timeliness of macro-economic statistics. In particular, national accounts statistics in most member countries need to be upgraded to the new methodologies for compilation and coverage of economic sectors, periodicity of reports need to be increased (quarterly) while base years need to be revised to better reflect the structural changes that have occurred since the last revisions. Similarly, methodologies for the compilation and coverage of statistics on the balance of payments and international investment position also need to be upgraded to improve their quality and reliability. The volume of TA needed in CARTAC members varies; the ECCU countries will require comprehensive assistance to improve all facets of economic assistance some of which is beyond the scope of CARTAC. Collaboration with other external agencies such as the Project for the Regional Advancement of Statistics in the Caribbean (PRASC) and the ECCB<sup>7</sup> will aid in expanding the coverage of TA on macro-economic statistics. Further strengthening the capacities of Macroeconomic Policy Units in member countries is needed to improve the reliability of economic projections; undertake multi-year macroeconomic programming and medium term fiscal and expenditure frameworks; track and assess economic trends and policy impacts; and inform economic policy. Importantly, this will leverage capacities enhanced by CARTAC in statistics as well as in the fiscal and financial sectors.

### 3.3 Mainstreaming

**Outcomes of the EIA (Environmental Impact Assessment) screening** (relevant for projects and/or specific interventions within a project)

The EIA (Environment Impact Assessment) screening classified the action as **Category C (no need for further assessment)**.

**Outcome of the CRA (Climate Risk Assessment) screening** (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that this action is **no or low risk (no need for further assessment)**. Rather, the action has integrated climate change and environmental aspects as cross-cutting issues. The action will seek to promote the protection of the environment and fight against the ills of climate change. Even though, environmental issues have not traditionally featured in CARTAC’s work program as a distinct stream of work, the action (CARTAC’s Phase VI), will establish an environmental risk mitigation and impacts work stream to address how to better assess the fiscal and macroeconomic impacts of tropical storms, weather event, and also of slow onset climate impacts including on water availability and agricultural productivity. Further, specific TA on areas where the IMF has a comparative advantage (e.g. energy pricing and subsidy reform), will be programmed depending on demand from CARTAC’s members.

#### **Gender equality and empowerment of women and girls**

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as **G1**. This implies that the initiative will have a cross-cutting gender approach in all its stages, from formulation to evaluation. In essence, the action will support concrete initiatives that will take direct account of female government officials and private personnel by providing opportunities to incentivise the professional and personal capacity development of women in the region.

Further, women represent an important group of indirect beneficiaries of the action. The center’s increased focus on gender is anchored in the specific perspective of the IMF. In effect, IMF can shed light on: (i) how macroeconomic and financial shocks and policies affect men and women differently; and (ii) how policies can be designed to narrow macro-critical gender gaps, and thereby support growth and stability. Through CARTAC,

<sup>7</sup> Eastern Caribbean Central Bank

increasing the capacity of policy makers to apply a gender lens to policy will ensure that gender impacts are taken into account throughout the policy cycle. In particular gender responsive budgeting in the knowledge of women's needs and the distributional effects and impacts of resource allocation on women, thus improving outcomes for women.

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### **Human Rights**

Support will be given to, among others, the management of inclusive models with wide social benefits. This action will guarantee the existence of alliances or networks among the different actors, which will contribute to create a balance so that no group may be at risk of vulnerability vis-à-vis the others. Further, the action will seek to include groups in vulnerable situations in the labor market, with special emphasis on women and young people. The initiatives supported through this action will facilitate the generation of jobs for the region as a whole, with particular emphasis to actively involve the youth, specifically through private sector organisations where young generations are prominent.

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### **Disability**

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as **D0**. This implies that while tackling disabilities is not in itself an objective, the action's support to innovation with social impact aims at improving the livelihood and inclusion of citizens in vulnerable groups, including those with disabilities.

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### **Reduction of inequalities**

Transparency: The right of access to information requires that public bodies proactively disseminate information in the public's interest. CARTAC will be guided by the IMF's Strategy for Enhanced Engagement on Governance and Corruption issues and will be involved in members' Governance Assessment Reports produced with IMF support.

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### **Democracy**

While supporting democratic principles is not the main focus of the action, the strengthening of the new economic actors in the Caribbean region is part of a vibrant and dynamic society and economy. The Action will seek ways to engage with new social actors across the region and in particular with women, youth and other vulnerable groups, with the objective to enhance their skills, employability, capacity, inclusion to participate in policy and political dialogue.

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### **Conflict sensitivity, peace and resilience**

The action will support Caribbean countries in building resilience against climate and environmental -related risks. CARTAC has incorporated climate work in most of its workstreams namely in building more resilient PFM systems (mainstreaming green—climate/environmental—issues into budgeting processes and procedures and carrying the Climate Modules of the *Agile* Public Expenditure and Financial Accountability [AgilePEFA] assessment and Public Investment Management Assessment [PIMA]), designing business continuity plans in revenue administrations, assessing climate and environmental risks in the financial system, incorporating climate shocks in the financial programming models, and providing training on green financing instruments. The Center is also supported by the IMF in executing its climate work program as the Fund has made it a priority to help member countries address climate change. Climate tools developed by the IMF include the C-PIMA framework, and climate tools for the financial sector including principles guiding insurance companies and financial regulators to assess climate risks.

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### **Disaster Risk Reduction**

Improved macro-fiscal modelling will help navigate climate-related and other risks and conduct debt sustainability and fiscal space analysis. Improved government debt management will also have a role to play to regain market access, while using the latest innovations such as green or gender financing, and debt-for-nature swaps. Reducing vulnerabilities to shocks, including climate change, will require deeper and sounder financial systems based on up-to-date financial stability tools and financial sector supervision and regulations. More timely and frequent macroeconomic statistics will be needed to set macroeconomic policies on a stronger footing. Critically, all workstreams of CARTAC will integrate aspects related to climate change and environmental risk reduction.

**Other considerations if relevant**

**Digitalisation:** Digitalisation of government services will improve their quality and efficiency, reduce corruption vulnerabilities and transaction costs, enhance transparency, and support post-pandemic recovery. CARTAC will assist countries introduce or improve PFM information systems and digital solutions (Integrated Financial Management Information Systems - IFMIS), automate revenue administrations' processes, and improve public procurement transparency, including through stronger beneficial ownership information.

**Governance:** CARTAC will increase support for fiscal governance, financial sector oversight and AML/CFT through enhancements in risk-based supervision (RBS) framework, and central bank governance.

### 3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
Political	Risk 1: Continued political commitment to structural and other reforms necessary to spur growth.	H	H	<ul style="list-style-type: none"> <li>CARTAC will increase its engagement with policy makers, through briefings and one-on-one meetings.</li> <li>CARTAC will continue to alert the IMF country teams, as well as relevant multilateral organisations and other stakeholders as relevant, to issues which require high level action.</li> </ul> <p>EU will deepen its bilateral political dialogue.</p>
Political	Risk 2: Political instability.	M	M	<ul style="list-style-type: none"> <li>CARTAC's work plan, with its mid-year review process is sufficiently flexible to move resources between countries and sectors, depending on country level developments.</li> </ul>
Technical	Risk 3: Insufficient resources to implement and/or sustain reforms	M	M	CARTAC will increase its engagement with key decision makers/senior management, through briefings and one-on-one meetings.
Technical	Risk 4: Limited absorption capacity for TA, due to staffing and other constraints specific to small states.	M	M	<ul style="list-style-type: none"> <li>CARTAC will increase its focus on institutional assessments to fine tune TA, and strengthen engagement with high level decision-makers.</li> <li>Particular attention will be paid to timing and sequencing of TA.</li> <li>Close collaboration with development partners to avoid overlaps (both of timing and/or content).</li> </ul> <p>CARTAC will promote regional solutions as and where they have the appropriate level of buy-in.</p>
Technical	Risk 5: Technology constraints (e.g. lack	M	M	CARTAC will work with development partners and other programs, to ensure

	of investment in IT systems not being kept up to date with latest releases or other functionality gaps).			that investments are made, and appropriate
Technical	Risk 6: Management level counterparts are resistant to change and fail to follow up on TA advice.	M	M	EU will follow up at Steering Committee meetings, and during policy dialogue on bilateral bases, on implementation of TA advice.
Social	Risk 7: Low representation of women and young people in the trainings.	L	L	Specific activities will be carried out to support the participation of women and young people in the action, such as workshops for women officials in economic institutions.
Social	Risk 8: Natural disasters.	H	H	CARTAC's work plan, with its mid-year review process is sufficiently flexible to move resources between countries and sectors, depending on developments.

#### **Lessons Learnt:**

CARTAC has been operating in the region for over a decade now, providing high-quality TA and training thereby contributing to the capacity-building of key policy institutions (central banks, government ministries and OECS Secretariat) in twenty (20) Caribbean countries, and is making a very significant positive impact on the region's development. CARTAC is a robust vehicle to support regional harmonisation and integration and their technical assistance contributes - in part - to improved transparency, accountability, and control. The CARTAC model meets the needs of its member countries; they have expressed their preference for long-term engagement with experts that CARTAC provides, as it better enables the transfer of knowledge. They also recognise the flexibility of the Centre and the timely responses to their requests. The success of the governance model of CARTAC, with involvement of recipient countries, donors, and IMF staff leading to 'ownership' of the recipient countries, as well as effective donor coordination in the spirit of the Paris Declaration on Aid Effectiveness.

Further, the flexibility and adaptability of the Regional Technical Assistance Centres model is key to responding to changing circumstances and redirecting (or creating new) programs to the highest priority areas of countries in the region. The model of a core group of Resident Advisors, complemented by short-term experts, working in close collaboration with IMF HQ, and with a planning process guided by stakeholders, meant that CARTAC was well placed to reorient its focus to address emerging and urgent issues (for example a new focus on financial stability and interconnectedness in the wake of the global supply chain disruption due to the Russia-Ukraine conflict, and the concentration of PFM resources in countries with IMF-supported programs to address benchmarks).

In addition, the ability of CARTAC to ensure a consistent rate of delivery, and ability to plan over a multi-year horizon requires predictability of financing. CARTAC was severely hampered by initial delays in mobilization of funds throughout the implementation of Phase V. This led to 'lumpy' delivery in the early years of Phase V. Also, while being responsive to member countries' needs, CARTAC Phase VI will have an enhanced focus on the sustainability of its interventions. The programmatic approach recommended by the IMF will be an important way to make progress in this regard. In particular; more explicit upfront agreement on deliverables and outcomes will be required before TA resources are committed to sizeable programs. Implementation of recommendations and progress against outcomes will be important factors in prioritizing follow-up capacity development (CD). CARTAC will continue to contribute directly to the successful execution of the ongoing Budget Support operations in the region through its delivery of in-depth and comprehensive interventions as it relates to PFM, PIMA and all other macroeconomic analysis. This will also include debt sustainability analysis and revenue mobilisation CD within the specific countries. This link makes the partnership between CARTAC, the EU and Caribbean Member states very critical.

Finally, mid-term evaluations of CARTAC were conducted over their past phases highlight the following lessons learned:

**Quality of capacity development design:** Small Island Developing States often need significant and repeated capacity development investments; ex-ante sustainability planning needs to be part of a capacity development program design; diagnostic assessments/tools enhance projects' relevance; identifying and tying projects to internal and external demand drivers not only increase relevance but also lead to greater impact and sustainability. Results from training activities are maximised by: targeted and transparent selection of participants; ensuring training workshops are participative and build on each other, and that consecutive training is delivered to the same participants (not one-off activity); offering a series of more condensed, better sequenced and tailored training and more extensive use of online courses that could help with participants' time availability and needs for different and advanced levels of training; providing educational materials which can be easily shared and disseminated with other officials; and improving the sustainability of learning gains by enhancing training course follow-up activities.

**Capacity development delivery and monitoring:** Results Based Management benefits from a flexible and iterative adaptive approach reviewing projects' evolving context and results expectations over time in consultation with the national authorities. Remote capacity development combined with on-site delivery and other modalities can be an effective hybrid model, knowledge sharing and peer country experiences augment results. Cross-workstream collaboration in CARTAC can catalyze and enhance effectiveness of individual programs. Improved use of local experts contributes to program efficiencies.

**Operational efficiencies:** Improved donor coordination strengthens coherence within programs and ensures that none of the activities duplicate with those of the other donors. A robust mechanism that can enable effective coordination might entail a more active role of keeping track of other donor activities as well as active communications with the other development agencies.



### 3.5 The Intervention Logic

The underlying intervention logic for this action is that through its annual programming process, which involves extensive consultation with stakeholders, resources can be deployed to meet strategic priorities over the medium and long terms, and where urgent issues arise. CARTAC also provides support in a holistic manner by tackling problems from various aspects. For example, the creation of fiscal space for investments requires both public expenditure and revenue reforms, complemented by the capacity to formulate medium term macroeconomic frameworks using robust statistical data and analysis.

Through the interventions in the **Fiscal Sector**, the action will initiate Fiscal Risk Missions with the Governments of the region and the results from this review we will provide material to expedite Fiscal Responsibility Reviews required to receive much needed concessional assistance from both Bilateral and Multilateral parties. This by extension will help to facilitate the mobilisation of more efficient and sustainable budgetary resources for Governments in the region. This will also have a direct positive spill on effect having countries to strengthen individual PFM processes. These advances will further aid the region as a whole to generate sustainable economic growth and financial stability.

The Caribbean region is one of the world's most disaster-prone regions, with the annual average cost of damage from natural disasters estimated at about 2.5 percent of GDP, which is six times higher than for non-small states and three times higher than for other small states. Low insurance penetration, especially among low-income households, has been identified as one of the key areas of intervention for post-hurricane recovery. In the **Financial sector**, this action will support countries in the region to build resilience against climate and environmental risks and strengthen stress-testing capabilities of insurance supervisors to mitigate financial stability risk. Hence, provision of TAs on conducting stress testing of the banking, insurance and credit union sectors as part of post-pandemic impact assessments will be introduced. In addition, the Monetary and Capital Markets monitoring agencies in the region, with CARTAC's intervention, have developed a series of issues notes that will guide advice to these financial sector supervisory authorities during any external shocks and crises. The invariable outcome of these activities will be the overall protection and stabilization of the Region's financial markets.

The **Macroeconomic** program will provide TA to the region on enhancing countries' respective macroeconomic models, which will be useful in forecasting the effects of external shocks and crises. Further, TA training will be conducted in the use of the IMF's Statistics Department guidelines, which will ensure continuity in the production of comprehensive external sector statistics that will feed into all forecasting models. This will invariable lead to Governments been able to improve their capacity of forecasting movements in aggregate economic activity, which is an essential input in developing appropriate macroeconomic policies, and in assessing on an ongoing basis their continued relevance.

### 3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

**Indicators will be tracked through the IMF's Results Based Management System, which captures indicators at output (IMF outcome) level.**

Results	Results chain (a): Main expected results (maximum 10)	Indicators (a): (at least one indicator per expected result)	Baselines (values and years)2022	Targets (values and years)2027	Sources of data	Assumptions
<b>Impact</b>	To to support the operations of CARTAC to achieve its overall objective, which is to support inclusive and sustainable economic growth and financial stability in the Caribbean.	1 Regional/country level growth rates trending in upward direction	3.75 percent	6.5 percent	World Economic Outlook; Regional Economic outlook	<i>Not applicable</i>
<b>Outcome 1</b>	1 Improved effectiveness of public spending as well as fiscal and debt sustainability in the region.	<p>1.1 A more comprehensive and unified annual budget is published</p> <p>1.2 A more credible medium-term budget framework is integrated with the annual budget process</p> <p>1.3 Central fiscal oversight and analysis of public corporations is strengthened.</p> <p>1.4 Debt management strategy and annual borrowing plan developed, documented, and published.</p>	<p>1.1: 10 countries</p> <p>1.2: 10 countries</p> <p>1.3: 5 countries</p> <p>1.4: 4 countries</p>	<p>1.1: 20 countries</p> <p>1.2: 20 countries</p> <p>1.3: 15 countries</p> <p>1.4: 15 countries</p>	1.1;1.2 and 1.3: IMF Art. IV missions; IMF Financial Sector Assessment Program (FSAP) PEFA Reports IMF monitoring systems Annual Reports from Revenue and Customs Administrations Annual Budget Presentations TADAT assessments RA-FIT data	
<b>Outcome 2</b>	2 Strengthened legal frameworks and supervision of banks and financial institutions as priorities for safeguarded financial stability.	<p>2.1 Revenue risk compliance improvement program in place to mitigate risks</p> <p>2.2 Financial Soundness and Early Warning System Indicators are developed.</p> <p>2.3 Macro-Prudential/ Financial Stability Unit is established and an</p>	<p>2.1: 0 countries</p> <p>2.2: Core FSIs are available for the banking system but are underdeveloped in the non-DTI segment.</p> <p>2.3: Some systemic risk</p>	<p>2.1: 10 countries</p> <p>2.2: Developed non-DTI segment in 15 countries</p> <p>2.3: Developed systemic risk</p>	2.1;2.2; 2.3: IMF Art. IV missions; IMF Financial Sector Assessment Program (FSAP) PEFA Reports IMF monitoring systems	

		action plan is developed to inform the work of the Unit.	indicators have been developed but the systemic risk monitoring framework is still quite limited in most countries.	monitoring framework in 15 countries	Annual Reports from Revenue and Customs Administrations Annual Budget Presentations TADAT assessments RA-FIT data	
<b>Outcome 3</b>	3 Strengthened capacity for data dissemination as well as improved scope for monitoring outcomes and economic analysis.	<p>3.1 Annual value added and GDP at current and constant prices by activity (rebased).</p> <p>3.2 Improved methodological basis for the gathering, analysis and dissemination of national statistics follows internationally accepted standards, guidelines, or good practices.</p> <p>3.3 Balance of Payment and International Investment Position Data are compiled using the concepts and definitions of the latest manual (BPM6)</p>	<p>3.1 and 3.2: All 20 states disseminate GDP by economic activity (GDP-P); 17 disseminate GDP by expenditure (GDP-E) at current prices and 7 at constant prices. Most compile private consumption as a residual. Only 10 states compile annual estimates of the other national accounts aggregates. All have a base year that is more than 5 years old.</p> <p>3.3: 15 countries produce BOP according to BMP6; 11 countries produce IIP according to BMP6</p>	<p>3.1 and 3.2: Updated collection, analysis and dissemination of macroeconomic statistical data in all 20 countries.</p> <p>3.3: 20 countries produce BOP according to BMP6; 20 countries produce IIP according to BMP6</p>	<p>3.1;3.2 and 3.3: IMF Art. IV missions; IMF Financial Sector Assessment Program (FSAP) PEFA Reports IMF monitoring systems Annual Reports from Revenue and Customs Administrations Annual Budget Presentations TADAT assessments RA-FIT data</p>	
<b>Output 1 relating to Outcome 1</b>	1.1 Increased fiscal space by improved revenue mobilisation and public financial management.	1.1.1 Unweighted average tax/GDP ratio is trending upwards		1.1.1: 5% average increase	IMF Art. IV missions; IMF Financial Sector	

		<p>1.1.2 Tax procedures code in line with international standards is in place, widely communicated, and effectively applied</p> <p>1.1.3 Information on resources and performance by program is included in budget documentation</p> <p>1.1.4 Debt management strategy and borrowing plan documents produced and published.</p>	<p>1.1.1: 20%</p> <p>1.1.2: 4 countries</p> <p>1.1.3: 8 Countries</p> <p>1.1.4: 4 countries</p>	<p>1.1.2: 12 countries</p> <p>1.1.3: 15 countries</p> <p>1.1.4: 10 countries</p>	<p>Assessment Program (FSAP) PEFA Reports IMF monitoring systems Annual Reports from Revenue and Customs Administrations Annual Budget Presentations TADAT assessments RA-FIT data</p>	
<p><b>Output 2</b> <b>relating to Outcome 1</b></p>	<p>1.2 Budget is an effective tool for the strategic allocation of resources towards mainstreaming policies that promote climate change adaptation, environmental protection and gender equality.</p>	<p>1.2.1 Integration of climate change considerations and environmental protection in the budget documentation and fiscal reports incorporated.</p> <p>1.2.2 Systems, processes and tools to plan, track and disclose allocations for gender equality and women's empowerment are in place and applied – e.g. gender responsive budgeting</p>	<p>1.2.1 Many countries in the region have a climate strategy, but challenges remain in integrating climate applications into near and medium term budget planning.</p> <p>1.2.2 Progress is being made at country level, and in partnership with other organisations in ensuring a gender lens in fiscal and macro-economic policies. However there is considerable opportunity to scale up and institutionalize.</p>	<p>1.2.1 Increase reference to climate, green budgeting in budget documentation; annual workplans will set out country-specific plans for improvements and annual reports will identify lessons learned.</p> <p>1.2.2 To increase the use of gender based budgeting throughout the region.</p>	<p>Climate-PIMA; IMF RBM system</p>	

<p><b>Output 1</b> <b>relating to Outcome 2</b></p>	<p>2.1 Enhanced financial stability and risk mitigation, through capacity building for identification of emerging systemic risks, response plans, and the efficient use of supervisory resources to oversee key risks in the banking and non-banking sectors</p>	<p>2.1.1 Supervisors fully trained to be able to implement risk-based supervision and other supervisory process.</p> <p>2.1.2 Improved identification, assessment, ranking and quantification of compliance risks.</p> <p>2.1.3 Formalized approach to risk-based supervision, corporate governance, and consolidated supervision for banks</p> <p>2.1.4 Implemented supervisory review process and market discipline requirements for banks.</p>	<p>2.1.1; 2.1.2; 2.1.3 and 2.1.4: Less than 5 countries have formalized their approach to risk-based supervision, corporate governance and consolidated supervision for banks.</p>	<p>2.1.1; 2.1.2; 2.1.3 and 2.1.4: at least 10 countries have formalized their approach to risk-based supervision, corporate governance and consolidated supervision for bank</p>	<p>IMF Art. IV missions; IMF Financial Sector Assessment Program (FSAP) PEFA Reports IMF monitoring systems Annual Reports from Revenue and Customs Administrations</p> <p>Annual Budget Presentations TADAT assessments RA-FIT data</p>	
<p><b>Output 2</b> <b>relating to Outcome 2</b></p>	<p>2.2 Supervisors and regulations require banks to apply risk measurement and management, including of relevant climate and environmental-related risks, in a timely basis</p>	<p>2.2.1 Supervisors' assessment reports whether regulations and guidelines on risk measurement and management are being applied by banks</p>	<p>2.2.1 Supervisors have insufficient understanding of climate and environmental - related risks and their impact on banks, and emerging supervisory standards and practices.</p>	<p>2.2.1 Increase in number of staff trained; promote peer to peer learning.</p>	<p>IMF RBM system.</p>	
<p><b>Output 1</b> <b>relating to Outcome 3</b></p>	<p>3.1 Addressed shortcomings in the quality, reliability, and timeliness of macroeconomic statistics, and enhance the capacity for macroeconomic programming and analysis</p>	<p>3.1.1 Updated (rebased) constant prices estimates of GDP (and its components) have been using the most recent benchmark estimates.</p> <p>3.1.2 Improved skills for macroeconomic policy analysis and forecasting in countries.</p>	<p>3.1.1: Quality of source data across data sets (prices, national accounts, government finance statistics, external sector) continues to have</p>	<p>3.1.1: Updated Quality of source data across data sets (prices, national accounts, government finance statistics,</p>	<p>IMF Art. IV missions; IMF Financial Sector Assessment Program (FSAP)</p>	



		<p>3.1.3 Adopted Macroeconomic Projection Tool and Simulation Tools (MPT) is fully operational.</p> <p>3.1.4 Adopted classifications are in broad conformity with internationally recommended systems.</p>	<p>gaps in all 20 countries.</p> <p>3.1.2: All 20 states disseminate GDP by economic activity (GDP-P); 17 disseminate GDP by expenditure (GDP-E) at current prices and 7 at constant prices.</p> <p>3.1.3 and 3.1.4: Only 10 states compile annual estimates of the other national accounts aggregates. All have a base year that is more than 5 years old.</p>	<p>external sector) in all 20 countries.</p> <p>3.1.2: A uniformed method to disseminate GDP analysis.</p> <p>3.13 and 3.1.4: All 20 states compile annual estimates of the other national accounts aggregates.</p>	<p>PEFA Reports</p> <p>IMF monitoring systems</p> <p>Annual Reports from Revenue and Customs Administrations</p> <p>Annual Budget Presentations</p> <p>TADAT assessments</p> <p>RA-FIT data</p>	
<p><b>Output 2</b></p> <p><b>relating to Outcome 3</b></p>	<p>3.2 Staff capacity increased through training, especially on developing source data, compilation methods, and dissemination.</p>	<p>3.2.1 Percentage point increase of the average post-test score compared to the average pre-test score</p>	<p>3.2.1 Statistical bodies remain under resourced across the Caribbean and large data gaps remain e.g. in price statistics, national accounts, external sector, and government finance.</p>	<p>3.2.1 To bring Caribbean statistical bodies into closer alignment with regional and international standards via country-specific programs to identify and address gaps.</p>	<p>IMF RBM system</p>	

## 4 IMPLEMENTATION ARRANGEMENTS

### 4.1 Financing Agreement

In order to implement this action, it is not envisaged to conclude a financing agreement with the partner territory.

### 4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of the last signature of the Agreement between the IMF and the Commission.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

### 4.3 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>8</sup>.

#### 4.3.1 Indirect Management with an entrusted entity (Pillar Assessed)

This action may be implemented in indirect management with the International Monetary Fund. This implementation entails the full action for the support of inclusive and sustainable economic growth and stability in the Caribbean, through increased fiscal space, financial sector stability and risk mitigation, and enhanced capacity for macroeconomic statistics and analysis, in a responsive and effective manner.

The envisaged entity has been selected using the following criteria: (i) the important normative and standard setting mandate of the IMF in the core areas of economic governance; (ii) IMF disposes of highly specialised technical capacity required for the assistance to be provided; and (iii) given the nature of reforms in the area of economic governance it allows assuring the continuity of the previous phases financed from 10th and 11th EDFs and continued support to the targeted countries in the Caribbean/Cariforum Region, particularly as reform process has stalled in many countries due to the COVID-19 pandemic; (iv) finally, the Strategic Partnership Framework endorsed between the EC and IMF in 2016 foresees joint work between the EC and IMF in the core areas targeted by this action.

#### 4.3.2 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

With reference to point 4.3.1 in the event of exceptional circumstances beyond the Commission's control, due to the specific expertise of the identified implementation agency, if there is to be a situation where they cannot execute the programme, the entire action will be aborted.

<sup>8</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu). Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

#### 4.4 Indicative Budget

<b>Indicative Budget components</b>	<b>EU contribution (amount in EUR) 2024</b>
<b>Implementation modalities – cf. section 4.3</b>	
Indirect management with the International Monetary Fund (IMF)	2,200,000
<b>Evaluation – cf. section 5.2</b> <b>Audit – cf. section 5.3</b>	May be covered by another Decision
<b>Contingencies</b>	0
<b>Total</b>	2,200,000

#### 4.5 Organisational Set-up and Responsibilities

CARTAC is administered through a multi-donor trust fund, established under the IMF's policies and procedures as approved by the IMF Board. The Center is governed by a Steering Committee, comprising the contributors to the trust fund, namely the member countries, the EU and other donors, the IMF and the host country (Barbados). The Steering Committee meets twice yearly to review the implementation of the Center's annual work program, and to provide strategic direction. The Center is managed by a Program Coordinator—an IMF staff member whose costs are covered by the IMF. As outlined in the annexed program document for Phase VI of CARTAC, a core team of resident advisors, complemented by short term experts, will deliver technical assistance (TA) and training across three broad sectors<sup>9</sup>: Fiscal (including Public Financial Management (PFM), revenue administration and customs); Financial sector (financial stability and financial sector supervision) and Macroeconomic policy and analysis and statistics (both real and external sector statistics).

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

#### 4.6 Pre-conditions

N/A

### 5 PERFORMANCE MEASUREMENT

#### 5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner has established a permanent internal, technical and financial monitoring system for the action and provides regular progress reports (not less than annual) and final reports. Each report provides an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire

<sup>9</sup> Sectors of focus are subject to change based on guidance from the Steering Committee and on demand from member countries.

period of the action implementation. In line with article 3.6 of the FAA progress and final reports shall be understood to mean those prepared as part of the IMF's regular reporting to the Action's Steering Committees.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews). Terms of Reference will be shared with the IMF, and the roles and responsibilities for data collection will be assumed by the implementing partner.

## 5.2 Evaluation

Having regard to the importance and nature of the action, mid-term evaluations will be carried out for this action via independent consultants, contracted by the implementing partner and financed from the CARTAC budget to which the EU is contributing.

It will be carried out for problem solving and learning purposes, in particular to assess progress, and to learn lessons relevant for successful implementation of the action and its sustainability. The evaluations will focus on governance, programme management, funding model and communication. As such the evaluations will assess CARTAC's effectiveness and impact, and the sustainability of their capacity development, bearing in mind the long-term nature of capacity building. Importantly, the evaluation will consider the options for the future operations of CARTAC.

The evaluation reports will be shared with the CARTAC Steering Committees following the best practice of evaluation dissemination and in line with the IMF's dissemination policy<sup>10</sup>. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

The financing of a final evaluation of this action may be covered by another measure constituting a Financing Decision. It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the importance of Results Based Management cannot be overstated.

## 5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

# 6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 “[Communicating and Raising EU Visibility: Guidance for External Actions](#)”, it will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

<sup>10</sup> See best [practice of evaluation dissemination](#)

## Appendix 1 REPORTING IN OPSYS

A Primary Intervention<sup>11</sup> (project/programme) is a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Identifying the level of the primary intervention will allow for:

Articulating Actions or Contracts according to an expected chain of results and therefore allowing them to ensure efficient monitoring and reporting of performance;

Differentiating these Actions or Contracts from those that do not produce direct reportable development results, defined as support entities (i.e. audits, evaluations);

Having a complete and exhaustive mapping of all results-bearing Actions and Contracts.

Primary Interventions are identified during the design of each action by the responsible service (Delegation or Headquarters operational Unit).

The level of the Primary Intervention chosen can be modified (directly in OPSYS) and the modification does not constitute an amendment of the action document.

The intervention level for the present Action identifies as (tick one of the 4 following options);

<b>Action level (i.e. Budget Support, blending)</b>		
<input checked="" type="checkbox"/>	Single action	Present action: all contracts in the present action
<b>Group of actions level (i.e. top-up cases, different phases of a single programme)</b>		
<input type="checkbox"/>	Group of actions	Actions reference (CRIS#/OPSYS#):
<b>Contract level</b>		

<sup>11</sup> For the purpose of consistency between terms in OPSYS, DG INTPA, DG NEAR and FPI have harmonised 5 key terms, including 'Action' and 'Intervention' where an 'Action' is the content (or part of the content) of a Commission financing Decision and 'Intervention' is a coherent set of activities and results which constitutes an effective level for the operational follow-up by the EC of its operations on the ground. See more on the [concept of intervention](#).

