

Detailed Implementation Plan for the Six-Point Reform Plan

Non-Arm's Length Transactions in the Eastern Caribbean

EXECUTIVE SUMMARY

This document provides a comprehensive implementation plan for the six-point reform plan to prevent non-arm's length transactions in the Eastern Caribbean. The plan includes a 48-month implementation timeline, detailed resource requirements, key performance indicators, governance structure, risk management strategies, and monitoring and evaluation frameworks.

Total Estimated Cost: EC10 – 15 million over 5 years (EC2-3 million per year)

Funding Source: Industry levies on regulated entities (0.5% of regulated assets)

Timeline: 48 months from legislative drafting to full implementation

Expected Outcome: Prevention of future governance failures like CLICO; stakeholder protection; enhanced financial stability

PART I: IMPLEMENTATION TIMELINE AND PHASED APPROACH

Phase 1: Legislative Drafting and Parliamentary Approval (Months 1-6)

Objective: Develop detailed legislative proposals and secure parliamentary approval for all six reforms

Month 1-2: Working Group Establishment and Scoping

- **Activity:** Establish regional working group comprising government officials, regulators, practitioners, and international experts
- **Responsible Party:** OECS Secretariat
- **Resources Required:** Facilitation, travel, meeting facilities (EC\$50,000)
- **Deliverable:** Working group charter, scope of work, timeline
- **KPI:** Working group established and first meeting held

Month 2-3: Legislative Drafting

- **Activity:** Develop detailed legislative proposals for each of the six reforms
- **Responsible Party:** Regional working group with international legal expertise
- **Resources Required:** Legal consultants, research, drafting (EC\$200,000)
- **Deliverable:** Draft legislation for six reforms (approximately 200 pages)
- **KPI:** Draft legislation completed and circulated for review

Month 3-4: Stakeholder Consultation

- **Activity:** Conduct stakeholder consultation with practitioners, business leaders, civil society, and international partners
- **Responsible Party:** OECS Secretariat and working group
- **Resources Required:** Consultation meetings, documentation, analysis (EC\$75,000)
- **Deliverable:** Stakeholder feedback report, revised draft legislation
- **KPI:** 80% of stakeholders consulted; feedback incorporated

Month 4-6: Parliamentary Approval

- **Activity:** Present draft legislation to parliaments of OECS member states for approval
- **Responsible Party:** Governments of OECS member states
- **Resources Required:** Parliamentary procedures, advocacy (EC\$50,000)
- **Deliverable:** Legislation approved and enacted in all OECS member states

- **KPI:** Legislation enacted in at least 4 of 8 OECS member states

Phase 1 Total Cost: EC\$375,000

Phase 2: Regulatory Framework Development and Capacity Building (Months 7-12)

Objective: Develop detailed regulatory guidance, establish independent regulatory commission, and build regulatory capacity

Month 7-8: Regulatory Framework Development

- **Activity:** Develop detailed regulatory guidance, procedures, and forms for implementing the six reforms
- **Responsible Party:** Independent regulatory commission (to be established) with international expertise
- **Resources Required:** Regulatory consultants, research, documentation (EC\$150,000)
- **Deliverable:** Regulatory guidance (approximately 100 pages), procedures manual, forms
- **KPI:** Regulatory guidance completed and approved by OECS Monetary Council

Month 8-9: Independent Regulatory Commission Establishment

- **Activity:** Establish independent regulatory commission with board, staff, and infrastructure
- **Responsible Party:** OECS member state governments
- **Resources Required:** Board appointments, staff recruitment, office facilities, systems (EC\$300,000)
- **Deliverable:** Regulatory commission operational with executive director, 5-10 professional staff
- **KPI:** Commission established, board appointed, staff recruited

Month 9-10: Judicial Training and Capacity Building

- **Activity:** Conduct training for judges, magistrates, and judicial officers on fiduciary law, NALTs, and enforcement
- **Responsible Party:** Regulatory commission with international judicial trainers
- **Resources Required:** Training programs, materials, travel (EC\$100,000)
- **Deliverable:** Trained judicial officers across OECS member states
- **KPI:** 80% of relevant judges trained

Month 10-11: Practitioner Training and Guidance

- **Activity:** Conduct training for lawyers, accountants, auditors, and business leaders on compliance with new requirements
- **Responsible Party:** Regulatory commission with professional associations
- **Resources Required:** Training programs, materials, travel (EC\$100,000)
- **Deliverable:** Trained practitioners; compliance guidance documents
- **KPI:** 70% of practitioners trained

Month 11-12: Systems and Infrastructure Development

- **Activity:** Develop systems for shadow director register, asset declarations, related-party transaction reporting
- **Responsible Party:** Regulatory commission with IT consultants
- **Resources Required:** IT systems development, databases, security (EC\$200,000)
- **Deliverable:** Operational systems for data collection, analysis, and reporting
- **KPI:** Systems tested and operational

Phase 2 Total Cost: EC\$850,000

Phase 3: Implementation and Enforcement (Months 13-36)

Objective: Implement the six reforms, begin enforcement, and establish governance culture of accountability

Month 13-18: Corporate Law Reform Implementation

- **Activity:** Implement shadow director definition, fiduciary duties, related-party transaction requirements, and public register
- **Responsible Party:** Regulatory commission and companies registrars
- **Resources Required:** Ongoing regulatory staff, systems maintenance, enforcement (EC\$500,000/year)
- **Deliverable:** Shadow director register operational; related-party transaction reporting system operational
- **KPI:** 100% of companies with shadow directors registered; 95% of related-party transactions disclosed

Month 13-18: Fiduciary Duties Legislation Implementation

- **Activity:** Implement public official fiduciary duties, conflict of interest management, asset declarations, cooling-off periods
- **Responsible Party:** Regulatory commission and government agencies
- **Resources Required:** Ongoing regulatory staff, systems maintenance, enforcement (EC\$300,000/year)
- **Deliverable:** Asset declaration system operational; conflict of interest protocols implemented
- **KPI:** 100% of public officials managing stakeholder assets file annual asset declarations; 90% compliance with conflict protocols

Month 13-18: Regulatory Independence Establishment

- **Activity:** Establish regulatory commission as independent authority; implement investigative and enforcement powers
- **Responsible Party:** Regulatory commission
- **Resources Required:** Ongoing regulatory staff, investigations, enforcement (EC\$400,000/year)
- **Deliverable:** Commission operational as independent authority; first investigations launched
- **KPI:** Commission investigates 5-10 suspected breaches in first year

Month 19-24: Insolvency Law Reform Implementation

- **Activity:** Implement extended look-back period; establish recovery mechanisms; train judicial managers
- **Responsible Party:** Judicial managers and regulatory commission
- **Resources Required:** Training, coordination, recovery actions (EC\$200,000/year)
- **Deliverable:** Judicial managers trained; first recovery actions initiated
- **KPI:** Recovery actions initiated in CLICO case; EC\$5-10 million recovered

Month 25-30: Public Sector Integrity Legislation Implementation

- **Activity:** Implement asset disposal requirements; establish competitive tender processes; implement parliamentary oversight
- **Responsible Party:** Government agencies and regulatory commission
- **Resources Required:** Tender processes, valuations, oversight (EC\$150,000/year)
- **Deliverable:** Asset disposal processes reformed; parliamentary oversight established
- **KPI:** 100% of public asset sales conducted through competitive tender; two independent valuations

Month 31-36: Enforcement and Deterrence

- **Activity:** Conduct investigations, impose penalties, remove directors, recover assets, prosecute breaches
- **Responsible Party:** Regulatory commission and law enforcement
- **Resources Required:** Investigations, litigation, enforcement (EC\$300,000/year)
- **Deliverable:** First enforcement actions completed; penalties imposed; assets recovered
- **KPI:** 10-15 enforcement actions; EC\$5-10 million in penalties and recovery

Phase 3 Total Cost: EC3, 600, 000 (EC1,200,000/year for 3 years)

Phase 4: Consolidation, Evaluation, and Continuous Improvement (Months 37-48)

Objective: Consolidate reforms, evaluate effectiveness, address challenges, and establish sustainable governance framework

Month 37-42: Monitoring and Evaluation

- **Activity:** Conduct comprehensive evaluation of reform implementation; assess effectiveness against KPIs; identify challenges and opportunities
- **Responsible Party:** Regulatory commission with external evaluators
- **Resources Required:** Evaluation studies, data analysis, reporting (EC\$200,000)
- **Deliverable:** Comprehensive evaluation report; recommendations for improvement
- **KPI:** Evaluation completed; 80% of KPIs achieved

Month 37-48: Continuous Improvement and Adjustment

- **Activity:** Address identified challenges; adjust procedures and policies; enhance enforcement; expand capacity
- **Responsible Party:** Regulatory commission and OECS member states
- **Resources Required:** Ongoing regulatory staff, systems enhancement, training (EC\$1,200,000/year)
- **Deliverable:** Enhanced regulatory framework; improved enforcement; expanded capacity
- **KPI:** 90% of KPIs achieved; stakeholder satisfaction >80%

Month 43-48: Sustainability and Institutionalization

- **Activity:** Establish sustainable funding mechanisms; institutionalize governance reforms; ensure long-term effectiveness
- **Responsible Party:** OECS member states and regulatory commission
- **Resources Required:** Ongoing regulatory operations (EC\$1,200,000/year)
- **Deliverable:** Sustainable regulatory framework; institutionalized governance reforms

- **KPI:** Regulatory commission operating sustainably; reforms institutionalized

Phase 4 Total Cost: EC2, 600, 000 (EC1,300,000/year for 2 years)

PART II: RESOURCE REQUIREMENTS AND FUNDING

Total Cost Breakdown

Phase	Activity	Cost (EC\$)
Phase 1	Legislative Drafting and Parliamentary Approval	375,000
Phase 2	Regulatory Framework and Capacity Building	850,000
Phase 3	Implementation and Enforcement (3 years)	3,600,000
Phase 4	Consolidation and Continuous Improvement (2 years)	2,600,000
TOTAL	48-Month Implementation	EC\$7,425,000

Note: Additional contingency of 20% (EC 1, 485, 000) recommended for unforeseen costs, bringing total to approximately EC8.9 million

Funding Mechanisms

Primary Funding: Industry Levies (80% of costs)

- **Mechanism:** 0.5% levy on regulated assets of insurance companies, banks, and financial services firms
- **Estimated Revenue:** EC6 – 8 million per year (based on EC1.2-1.6 trillion in regulated assets)
- **Allocation:** 50% to regulatory commission operations; 30% to capacity building; 20% to enforcement and recovery
- **Advantage:** Regulated entities have direct interest in preventing value-stripping; levies are standard business costs

- **Implementation:** Legislation establishes levy mechanism; regulatory commission collects and manages funds

Secondary Funding: International Development Partners (20% of costs)

- **Sources:** IMF, World Bank, Caribbean Development Bank, bilateral donors
 - **Allocation:** Technical assistance, training, capacity building, systems development
 - **Amount:** EC\$1.5-2 million over 5 years
 - **Advantage:** Development partners have committed to supporting financial sector reform in the Caribbean
 - **Implementation:** Formal requests to development partners; coordination through OECS
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Staffing Requirements

Independent Regulatory Commission (Core Staff)

- **Executive Director:** 1 (EC\$80,000/year)
- **Legal Counsel:** 1-2 (EC\$60,000/year each)
- **Investigators:** 2-3 (EC\$50,000/year each)
- **Compliance Officers:** 2 (EC\$45,000/year each)
- **Administrative Staff:** 2 (EC\$35,000/year each)
- **IT/Systems Staff:** 1 (EC\$50,000/year)
- **Total Annual Payroll:** Approximately EC\$500,000-600,000

Regional Coordination (OECS Secretariat)

- **Reform Coordinator:** 1 (EC\$60,000/year)
- **Administrative Support:** 1 (EC\$30,000/year)
- **Total Annual Cost:** EC\$90,000

Total Annual Operating Cost:** EC\$590,000-690,000 (funded through industry levies)

PART III: KEY PERFORMANCE INDICATORS (KPIs)

Corporate Law Reform KPIs

KPI	Target	Timeline	Measurement
Shadow Director Register Established	100%	Month 18	Operational register with all companies registered
Shadow Directors Registered	95%	Month 24	Percentage of companies with shadow directors registered
Related-Party Transactions Disclosed	95%	Month 24	Percentage of related-party transactions disclosed
Arm's Length Principle Compliance	90%	Month 36	Percentage of transactions meeting four-criteria framework
Public Register Accessibility	100%	Month 18	Public access to shadow director register

Fiduciary Duties Legislation KPIs

KPI	Target	Timeline	Measurement
Asset Declarations Filed	100%	Month 18	Percentage of public officials filing annual declarations
Conflict of Interest Disclosures	95%	Month 24	Percentage of conflicts disclosed and managed
Cooling-Off Period Compliance	100%	Month 24	Percentage of former regulators complying with cooling-off
Fiduciary Duty Breaches Detected	10-15	Month 36	Number of breaches identified and investigated

Regulatory Independence KPIs

KPI	Target	Timeline	Measurement
Commission Established	100%	Month 12	Operational independent regulatory commission
Investigative Actions	5-10	Year 1	Number of investigations initiated
Enforcement Actions	10-15	Year 2	Number of enforcement actions completed
Penalties Imposed	EC\$5-10M	Year 2	Total penalties and recovery achieved
Stakeholder Confidence	>80%	Year 3	Stakeholder satisfaction survey score

Insolvency Law Reform KPIs

KPI	Target	Timeline	Measurement
Extended Look-Back Implemented	100%	Month 24	Legislation enacted and operational
Recovery Actions Initiated	5-10	Year 2	Number of asset recovery actions
Assets Recovered	EC\$5-10M	Year 3	Total value of assets recovered
CLICO Case Recovery	EC\$5-8M	Year 3	Specific recovery in CLICO case

Public Sector Integrity KPIs

KPI	Target	Timeline	Measurement
Asset Disposal Transparency	100%	Month 24	Percentage of public asset sales through competitive tender
Independent Valuations	100%	Month 24	Percentage of sales with two independent valuations
Competitive Tender Compliance	100%	Month 24	Percentage of sales through competitive process
Parliamentary Oversight	100%	Month 24	Parliamentary review of all asset disposals

Overall Reform Plan KPIs

KPI	Target	Timeline	Measurement
Legislation Enacted	6/6 reforms	Month 6	All six reforms enacted in at least 4 OECS jurisdictions
Regulatory Capacity	90%	Month 12	Percentage of regulatory staff trained and operational
Practitioner Compliance	85%	Month 24	Percentage of practitioners complying with new requirements
Stakeholder Awareness	80%	Month 24	Percentage of stakeholders aware of reforms
Governance Culture Change	>75%	Month 36	Stakeholder perception of improved governance
Financial Stability Improved	Measurable	Month 48	Reduced NALT incidents; increased financial stability

PART IV: GOVERNANCE STRUCTURE AND DECISION-MAKING

Governance Framework

OECS Monetary Council (Strategic Oversight)

- **Composition:** Central bank governors of OECS member states
- **Role:** Strategic oversight; approval of reform plan; coordination across jurisdictions
- **Frequency:** Quarterly meetings
- **Responsibilities:**
 - Approve annual implementation plan and budget
 - Monitor progress against KPIs
 - Address political and policy issues
 - Coordinate with international development partners

Regional Working Group (Implementation Management)

- **Composition:** Government officials, regulators, practitioners, international experts
- **Role:** Day-to-day implementation management; problem-solving; coordination
- **Frequency:** Monthly meetings
- **Responsibilities:**
 - Oversee legislative drafting and parliamentary approval
 - Manage regulatory framework development
 - Coordinate capacity building and training
 - Monitor implementation progress
 - Address implementation challenges

Independent Regulatory Commission (Operational Implementation)

- **Composition:** Executive director, legal counsel, investigators, compliance officers, administrative staff
- **Role:** Operational implementation of reforms; enforcement; investigation
- **Frequency:** Daily operations
- **Responsibilities:**
 - Maintain shadow director register
 - Process related-party transaction disclosures
 - Investigate suspected breaches
 - Impose penalties and recover assets
 - Report to OECS Monetary Council

OECS Secretariat (Coordination and Support)

- **Role:** Provide coordination and support to all governance bodies
 - **Responsibilities:**
 - Coordinate meetings and communications
 - Manage documentation and reporting
 - Facilitate international partner engagement
 - Monitor overall implementation progress
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PART V: RISK MANAGEMENT AND MITIGATION STRATEGIES

Identified Risks and Mitigation Strategies

Risk	Probability	Impact	Mitigation Strategy
Political resistance from entrenched interests	High	High	Build broad coalition of reform supporters; international pressure; demonstrate benefits
Inadequate funding for implementation	Medium	High	Industry levies; international development partner support; phased implementation
Limited judicial capacity for enforcement	Medium	Medium	Judicial training; administrative enforcement by regulatory commission; derivative actions
Regulatory capture of independent commission	Low	High	Structural independence measures; board composition; accountability mechanisms; international oversight
Implementation delays in some jurisdictions	Medium	Medium	Regional coordination; peer pressure; technical assistance; conditional assistance from development partners
Unintended consequences for legitimate business	Low	Medium	Careful legislative drafting; stakeholder consultation; exemptions for legitimate advisors; monitoring and adjustment
Insufficient practitioner compliance	Medium	Medium	Training and guidance; compliance assistance; graduated enforcement; incentives for early compliance
Inadequate stakeholder awareness and buy-in	Medium	Medium	Public education campaigns; media engagement; stakeholder consultation; demonstration of benefits

Risk Monitoring and Response

- **Monthly Risk Review:** Regional working group reviews identified risks and mitigation effectiveness
 - **Quarterly Risk Assessment:** OECS Monetary Council assesses overall risk profile and approves mitigation adjustments
 - **Annual Risk Evaluation:** Comprehensive evaluation of risk management effectiveness; update risk register
 - **Contingency Planning:** Develop contingency plans for high-impact risks; maintain contingency budget (20% of total)
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PART VI: MONITORING, EVALUATION, AND REPORTING

Monitoring Framework

Monthly Monitoring (Regional Working Group)

- **Metrics Tracked:** Implementation progress against timeline; expenditure tracking; staff recruitment and training
- **Reporting:** Monthly progress report to OECS Monetary Council
- **Frequency:** Monthly meetings
- **Responsible Party:** OECS Secretariat reform coordinator

Quarterly Monitoring (OECS Monetary Council)

- **Metrics Tracked:** Progress against KPIs; budget performance; risk assessment; stakeholder feedback
- **Reporting:** Quarterly report to OECS Monetary Council; public reporting on progress
- **Frequency:** Quarterly meetings
- **Responsible Party:** Independent regulatory commission

Annual Evaluation (External Evaluators)

- **Metrics Tracked:** Effectiveness against KPIs; cost-benefit analysis; stakeholder satisfaction; governance culture change
- **Reporting:** Annual evaluation report; recommendations for improvement
- **Frequency:** Annual evaluation
- **Responsible Party:** External evaluation team with international expertise

Reporting Framework

Monthly Reports

- Implementation progress against timeline
- Expenditure tracking and budget performance
- Staff recruitment and training progress
- Issues and challenges identified
- Corrective actions taken

Quarterly Reports

- Progress against KPIs
- Budget performance and financial management
- Risk assessment and mitigation effectiveness
- Stakeholder feedback and engagement
- Recommendations for improvement

Annual Reports

- Comprehensive evaluation against KPIs
- Cost-benefit analysis
- Stakeholder satisfaction assessment
- Governance culture change assessment
- Recommendations for next phase
- Public reporting on progress and outcomes

Public Reporting

- **Quarterly Public Updates:** Brief updates on implementation progress; media releases
 - **Annual Public Report:** Comprehensive report on progress, outcomes, and next steps; published on OECS website
 - **Stakeholder Engagement:** Regular stakeholder briefings; consultation on challenges and opportunities
 - **Media Engagement:** Regular media engagement to maintain public awareness and support
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PART VII: SUCCESS FACTORS AND CRITICAL DEPENDENCIES

Success Factors

1. **Political Commitment:** Sustained political commitment from OECS member state governments to implement reforms despite resistance from entrenched interests
2. **Regional Coordination:** Effective regional coordination through OECS to ensure harmonization and prevent jurisdictional arbitrage
3. **International Support:** Continued support from international development partners (IMF, World Bank, Caribbean Development Bank) for technical assistance and funding
4. **Regulatory Capacity:** Building and maintaining professional regulatory capacity to effectively implement and enforce reforms
5. **Stakeholder Buy-In:** Broad stakeholder support from practitioners, business leaders, civil society, and the public
6. **Adequate Funding:** Sustained funding through industry levies and international support to maintain implementation momentum

7. **Governance Culture:** Shift in governance culture toward accountability, transparency, and stakeholder protection

Critical Dependencies

- **Legislative Approval:** All six reforms must be enacted in at least 4 OECS member states within 6 months
 - **Regulatory Commission Establishment:** Independent regulatory commission must be established and operational within 12 months
 - **Capacity Building:** Judges, regulators, and practitioners must be trained and ready to implement reforms within 12 months
 - **Systems Development:** IT systems for shadow director register, asset declarations, and related-party transaction reporting must be operational within 12 months
 - **International Support:** International development partners must commit to technical assistance and funding within 3 months
 - **Funding Mechanism:** Industry levy mechanism must be established and operational within 6 months
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CONCLUSION

This detailed implementation plan provides a comprehensive roadmap for implementing the six-point reform plan to prevent non-arm's length transactions in the Eastern Caribbean. The plan is realistic, achievable, and grounded in international best practices.

Key Takeaways:

- **Timeline:** 48 months from legislative drafting to full implementation
- **Cost:** EC\$8.9 million (including 20% contingency)
- **Funding:** Industry levies (80%) + international development partners (20%)
- **Governance:** OECS Monetary Council provides strategic oversight; regional working group manages implementation; independent regulatory commission operates reforms

- **KPIs:** Clear, measurable targets for each reform; quarterly monitoring and annual evaluation
- **Success Factors:** Political commitment, regional coordination, international support, regulatory capacity, stakeholder buy-in, adequate funding, governance culture change

The time for action is now. With sustained commitment and effective implementation, the Eastern Caribbean can establish a modern, effective framework for preventing and detecting NALTs, protecting stakeholders, and promoting a culture of good governance.