

CAPTAC-DR NEWS

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Capacity development during the pandemic

By Andrés Navas



The first quarter of 2020 was marked by the onset of the COVID-19 pandemic in the Central American region, Panama and the Dominican Republic (CAPDR). The pandemic hampered providing on site technical assistance and affected the capacity development (CD) needs of the region. An adaptation process was necessary to adopt virtual work and adjust work plans to the new needs of member countries. The Center was encouraged to use new methods in the field of CD, to continue supporting its members in traditional areas and respond to their new needs.

"The Center is committed to innovating in the area of human and institutional capacity development... "



Regional overview

The CAPRD region has not been immune to the global crisis resulting from the COVID-19 pandemic. According to IMF staff estimates in the World Economic Outlook Reports (April 2021), the Gross Domestic Product (GDP) of the region declined by 7.2 percent in 2020, placing the region's economies among the most affected globally (the global GDP is estimated to have decreased by 4.4. percent). The health crisis had a significant economic and social impact, testing the resilience of countries.

However, overall conditions are expected to improve during 2021, including in the CAPRD countries. This in a context of the recovery of the advanced economies (5.1 percent) and of the emerging markets and developing economies (6.7 percent), as well as accessibility to COVID-19 vaccines increases.

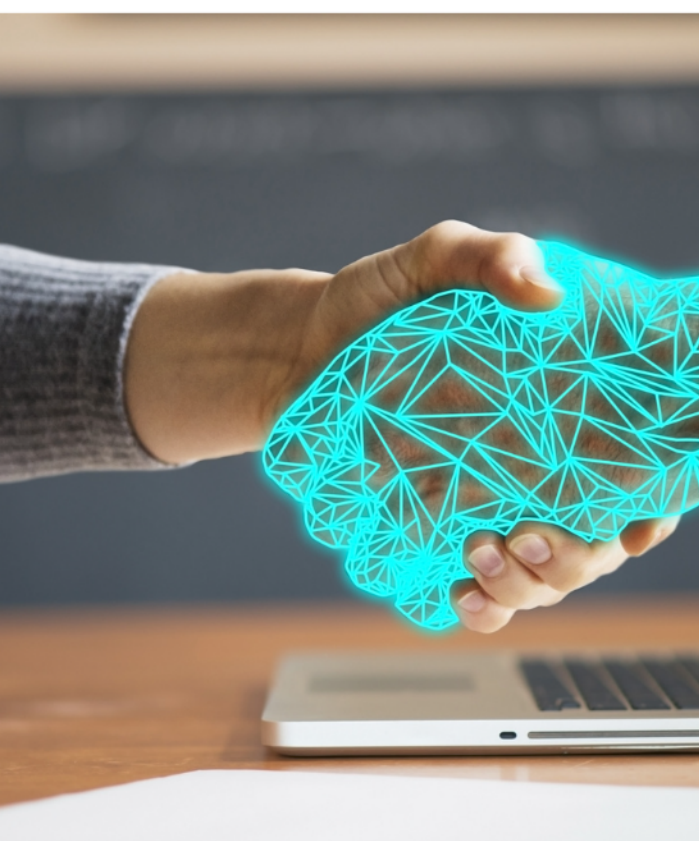
In 2021 and 2022, global growth is expected to reach 4.9 and 3.4 percent, respectively. In the case of CAPDR, growth is projected above this (5.6 and 4.1 percent, respectively). The countries whose economies have been most affected by the pandemic (Panama, the Dominican Republic, Honduras and El Salvador) are expected to grow the most by 2021 and 2022 (see Table 1).

Table 1. CAPDR region's real GDP

(Yearly percentage change)

Country	Estimate	Projected	
	2020	2021	2022
CAPDR	-7.2	5.6	4.1
Costa Rica	-4.8	2.6	3.3
El Salvador	-8.6	4.2	2.8
Guatemala	-1.5	4.5	4.0
Honduras	-8.0	4.5	3.3
Nicaragua	-3.0	0.2	2.7
Panama	-17.9	12.0	5.0
Dominican Republic	-6.7	5.5	5.0

Source: IMF estimates in the World Economic Outlook Reports: Managing Diverging Recoveries, April 2021.



New priorities and CAPTAC-DR's role

The countries of the region considered that it is necessary to adjust their priorities quickly to lessen the economic implications of the pandemic. The national authorities, in coordination with regional councils (the Central American Monetary Council –CMCA-, the Council of Ministers of Finance –COSEFIN- and the Central American Council of Superintendents of Banks, Insurance and Other Financial Institutions), identified priorities for technical assistance and to strengthen institutional and human capacities.

During the first months of the pandemic outbreak, public institutions in the region and CAPTAC-DR went through a period of adaptation to new working conditions, including a total reliance on remote work, while work plans were adjusted to address new capacity development (CD) needs. The Center's operational areas adapted work plans to respond to priority issues:

- **Public Finance.** In public finance, assistance was provided to countries to maintain continuity of operations and support recovery plans for tax services. Work was directed to provide assistance to tax administrations to limit revenue losses in the short term and to continue strengthening risk management through more robust controls, as well as supporting the improvement of management skills.

Assistance was also provided to customs administrations to adopt post-clearance auditing. The financial management area focused on fiscal transparency to monitor expenditures made in response to the health crisis as well as the strengthening of the treasury in risk management, budgetary processes and policy frameworks.

- **Financial sector.** The financial sector continues making progress in strengthening financial supervision and regulation. A priority in their work plans was the attention to the pandemic. However, countries continued to work on strengthening supervisory capacities while improving regulatory frameworks. The region also made progress in implementing financial reporting standards.
- **Macroeconomic statistics.** Technical assistance was provided to ensure the quarterly national accounts and price indexes continuity. Countries also continued improving on real sector and government finance statistics, strengthening harmonization and their integration, making them comparable.

The projects and activities aforementioned included in the workplan began their implementation near the middle of 2020. The volume of technical assistance gradually expanded during the rest of the year until April 2021. During this period, the Center continued focusing on regional economic integration and cross-cutting policy issues, including support for inclusive growth policies. The virtual delivery of CD has worked reasonably well, and both the Center and the authorities have adapted to this work mode.

Some lessons learned on capacity development

During 2020 and so far in 2021, the Center has identified several important lessons to ensure the continuity of work moving forward in the face of the challenges caused by COVID-19:

- **Coordination with counterparts.** The Center works closely with many counterparts to ensure work continuity.

Closer communication among the country teams and the Center was essential to define priority themes and strategies for the continuous project articulation with countries. This allowed the design of activities according to countries' needs.

Consultations with national authorities and regional councils as well as the Center's development partners helped to further coordinate the work of CD.

- **Conducting webinars.** In coordination with the IMF's CD Departments, regional quick response webinars were prepared to cover previously identified priorities. More than 50 such pandemic-related activities were conducted, mainly on business continuity, risk management and mitigation, and transparency and accountability.

- **Flexibility of technical assistance.** Missions became more flexible to better adapt to the availability and connectivity capacities of technical teams. The duration of the missions was extended (even if the actual working time remained the same as expected on a pre-pandemic context), in order to better adapt to the virtual format and to the institution's schedules, and at the same time cover the planned coverage.

Actions for fiscal year 2022

An extension of the workplan of CAPTAC-DR is foreseen for fiscal year 2022 (May 2021 to April 2022) to continue responding to the needs arising from the pandemic COVID-19, supporting the implementation of new programs with the IMF in the region and at the same time comply with the implementation of the work program of Phase III of the Center.

The Center will continue to build on regional multi-year projects with the integration of cross-cutting themes into the work plan. The virtual format has allowed the effective implementation of different activities (some of them new, such as webinars) in attention to various relevant topics for the region. The Center will continue to rely on virtual work until it is possible to resume on-site assistance.

Sources consulted:

Technical Assistance Center for Central America, Panama and the Dominican Republic (2021). Annual Report & Work Program FY22. Unpublished Report. Guatemala: IMF.
International Monetary Fund (2021). World Economic Outlook Reports: Managing Divergent Recoveries. Washington, D.C.: IMF.





Public Financial Management: Seminar on risk management tools

During the last week of fiscal year 2021, from April 26th to 30th, the Fiscal Affairs Department (FAD) of the International Monetary Fund in coordination with CAPTAC-DR organized a seminar focused on practices regarding fiscal risks in Latin America and on showing four tools that the FAD uses to identify and quantify fiscal risks. The seminar was attended by 68 officials from 17 countries in the Latin American region.

The four tools on which the presentations and discussions focused, were: the FRAT fiscal risk assessment tool, the COVID stress test tool, the State-Owned Enterprise Healthcheck tool (SOE) and the fiscal risk assessment model (PFRAM). These tools were presented by senior economists who are members of FAD and short-term experts who also work in this department. A part of the seminar also focused on several participating countries presenting their experiences and practices in fiscal risks quantification.

Many of the participating countries recognized the identification, quantification, reporting and management of fiscal risks as a priority. Although some of the countries have advanced practices in quantifying macro-fiscal risks, they consider that the FRAT tool is very useful as it makes international comparisons possible and is also capable of creating analytical forecasts.

On the other hand, the COVID stress-test tool (stress test) has the characteristic of providing a structure for modeling macroeconomic shocks in different sectors and the creation of different scenarios. However, a major challenge in using the tool in Latin American institutions is to have the necessary data collection to maximize its benefits. It can also be useful in modeling the impact vaccination will have on reducing the pandemic effects.

The SOE tool facilitates the assessment of the risk involved in the various state-owned enterprises. The participants, highlighted the importance of using this tool in state-owned enterprises of subnational governments. Finally, the PFRAM tool is used in several countries in the region to evaluate projects and verify that they are reliably, quickly and efficiently executed.

In summary, this seminar on the use of fiscal risk tools highlighted the importance of identifying and quantifying fiscal risks and provided various tools to do it. The fact that several countries shared their experiences with the use of tools enriched the seminar content by raising the challenges involved in the practice of identifying and quantifying these risks. Likewise, this seminar woke the interest of some of the countries in the region in improving the subject and several requests for technical assistance were made to both the FAD and CAPTAC-DR.

The participation of officials from several countries and the experiences exchange with the use of tools enriched the content of the seminar...





Central Banking Operations



The Center's activities in Central Banking Operations were restarted during the quarter of February-April. The Center collaborated on two technical assistances to the region with the IMF Department of Monetary and Capital Markets.

Costa Rica

In February, the Central Bank of Costa Rica was assisted in the design of a strategy to develop foreign exchange derivatives market and thus facilitate the management of exchange rate risk in the economy.

El Salvador

In April, the Center worked with the Central Reserve Bank of El Salvador on the improvement and operationalization of the Emergency Liquidity Provision framework, which is relevant; although being a fully dollarized economy, the central bank is responsible for preserving financial stability in its role as last resort lender.



Real Sector Statistics **Inclusive growth workshop**

Objective of the workshop: to broaden knowledge on inclusive growth concepts and to provide analytical and operational tools to assess, measure and monitor the impact of macroeconomic policies on growth, poverty, inequality and job creation.

The online course "Inclusive Growth", given by the IMF's Institute for Capacity Development (ICD), opened discussions through interactive presentations that examined basic concepts of inclusive growth, with special emphasis on long-term sustainability.

Practical work was also developed as part of the course, which provided participants the opportunity to apply these concepts and reflect on the development of inclusive growth strategies, based on country case studies.

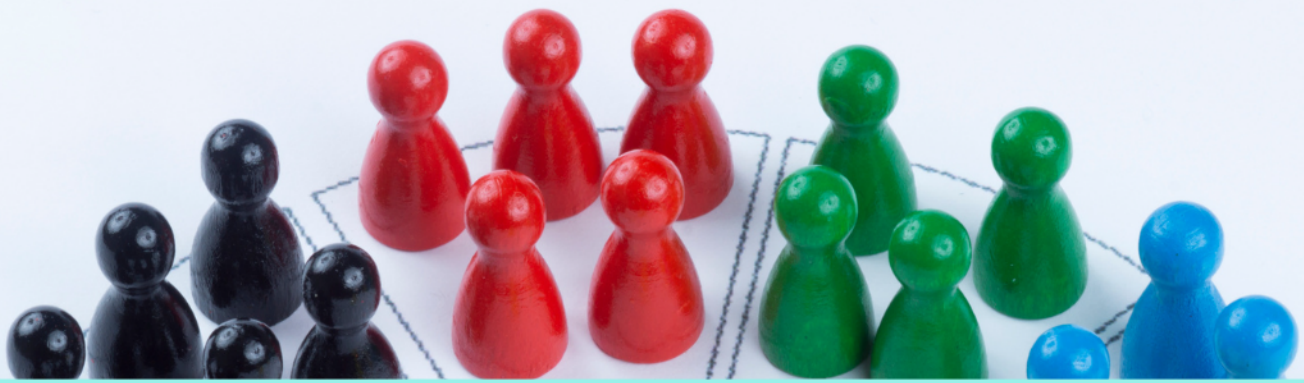
At the end of the course, the participants strengthened their capacities in the following:

- Interpretation of poverty and inequality indicators.

- Analysis of how macroeconomic policies favor growth, equity and poverty reduction.
- Identification of obstacles to inclusive growth and prioritizing reforms.
- Development of an inclusive growth strategy for their country.

The event was enriched by the experiences of IMF experts and course participants. The latter included officials of central banks and statistical offices in the CAPRD region responsible for the economic and strategic planning, monitoring and evaluation of poverty and inequality reduction policy strategies, and employment promotion.

This seminar is relevant to further advance the capacity building agenda on cross-cutting issues such as inclusive growth.



Government Finance Statistics **Regional seminar “Integration between IPSAS and GFS: effects on decision-making and governance”**

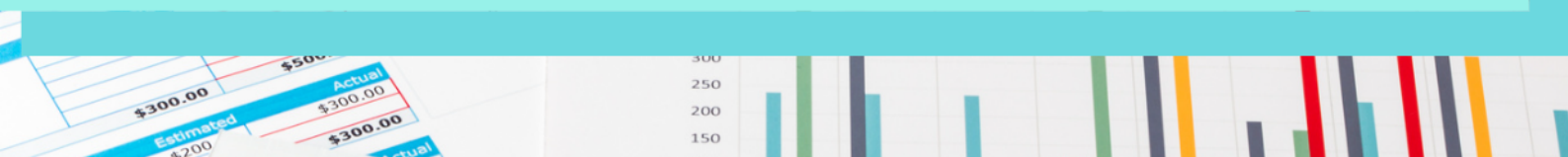
The regional seminar "Integration between IPSAS and GFS: effects on decision making and governance" aimed to present the main integration issues between the International Public Sector Accounting Standards (IPSAS) and Government Finance Statistics (GFS), as well as the importance of their integration and on the implementation level in the countries of the CAPDR region.

The event was attended by more than 200 officials from finance ministries and central banks of CAPTAC-DR member countries, from areas responsible for the preparation and compilation of fiscal and public debt statistics, as well as accounting, budgeting and treasury.

This seminar provided a space for the exchange of experiences and success stories, as well as an opportunity to learn more about the region's needs in terms of capacity development.



Working Group on Government Finance Statistics (GTEFP) and the Ad Hoc Group on National Accounts (GAHCN) meetings and statistical harmonization seminar



GTEFP meeting

Objectives of the GTEFP Meeting: to present progress on the work plan and obstacles found and to propose a work plan with new adaptations for 2018-2024 period.

The 5th GTEFP Meeting, coordinated by SECMCA, with the support of SECOSEFIN and CAPTAC-DR, focused on the presentation of progress and challenges in terms of general government coverage in the GFS, (budgetary, extra-budgetary and consolidated), including social security funds and local governments and their respective consolidations.

The progress presented also included the coverage of public sector debt statistics (PSDS): instruments such as loans and securities (short, medium and long term), accounts payable, accrued interest, and valuation (reporting in memorandum item).

The Group's representatives, composed of officials from central banks and ministries of finance and public finance of the CAPDR region, took advantage of this space to share experiences, generate discussions and present queries. These were addressed by IMF experts, and GTEFP members.

At the close of the meeting, they agreed to make some modifications to the 2018-2024 workplan.

GAHCN meeting

Objective: To develop a GAHCN work plan for 2021.

GAHCN work plan advances were presented during the meeting, as well as the results of the first meeting on harmonization of general government statistics between national accounts and public finances.

Countries presented in a round table their experiences and challenges in the process of harmonizing public sector coverage according to the 2008 System of National Accounts defining actions to continue with the regional work strategy to harmonize both statistics.

Regional seminar on statistical harmonization

The regional situation regarding the fiscal and debt data coverage was presented during the seminar, as well as the main issues of progress in the region.

The three pillars on which the plan is aligned were presented as part of the context of the harmonization of GFS and PSDS plan:

- National harmonization (GFSM 2014 adoption).
- Regional harmonization (supported by CMCA, CAPTAC-DR and COSEFIN, based on a regional work plan 2018-2023); and national harmonization with other macroeconomic statistics (consistency between GFS-PSDS and other macroeconomic statistics).



"... it is an important opportunity to strengthen the fiscal policy decision-making process by strengthening the compilation and publication of public finance and national accounts statistics". -Alfredo Flores, Secretary of SECOSFIN

Full coverage of the Public Sector is planned for GFS and PSDS. It began with the institutional level of central government (budgetary/ extrabudgetary), to include the general government in 2020, which includes state, local and social security governments. The final step is to include financial and non-financial public corporations, depending on certain criteria-such as whether the units are controlled by the government, or if the included corporations perform market production, which will allow the public sector to be completed.

The compilation of GFS and PSDS requires a consolidation process, which is a method of presenting a set of statistical units as if they constituted a single unit, eliminating flows and stock positions of the units being consolidated.

This effort to harmonize PSDS and GFS has allowed the use of statistics for decision-making in Costa Rica (alignment of GFSM 2014 Program), El Salvador (reports of the 4 public companies based on the new GFS), Guatemala (budget prepared with concepts updated GFS as well as public debt documents), Honduras (the stand by agreement provides for the new GFS publication) and Dominican Republic (reporting analysis of fiscal policy under the new GFSM 2014).

Similarly, countries are currently working on increasing the coverage of fiscal and public debt data, as well as improving data frequency. Regarding work aimed at general government, the challenge has been to include information from local governments and social security; likewise, with respect to PSDS, important advances have been made in the calculation of nominal value and accrued interest.





GENDER BUDGETING

BY GRECIA ROSAL & KARIANA VILLAGRA

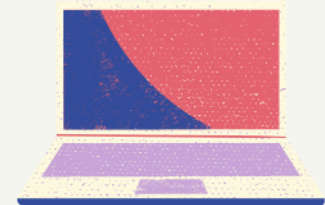


WHAT IS GENDER BUDGETING?

Gender-responsive budgeting (GRB) can take different forms. In a broad sense, it involves assessing the gender impact of policies, even when these are not fiscal in nature or do not specifically focus on gender-related objectives. In another GRB approach, fiscal policies and public financial management are used as tools to promote gender equality.

WHAT IS ITS SIGNIFICANCE?

The national budget is an essential fiscal tool for **advancing in gender equality** because it reflects the government's priorities and strategies. The GRB is the mechanism for the government to materialize its gender equity priorities through the national budget.



HOW DOES IT WORK?

This approach is oriented towards how spending policy, budget allocations and tax policy can be used to reduce inequality and promote gender equality.

It involves creating conditions of equal employment opportunities, promoting equal pay, the promotion of women to senior management positions and representation in organizations.

In 2017, the IMF developed a framework for an integrated GRB approach. This approach goes beyond gender budget allocations; rather, it calls for explicit gender mainstreaming through adaptation and strengthening of existing institutions and tools.

The GRB is part of the agenda of the area of Public Financial Management of CAPTAC-DR, for capacity development on cross-cutting policy issues in the region.



Sources consulted:

International Monetary Fund - Gender Budgeting in G7 Countries (Fiscal Affairs Department, 2017)

Middle East Regional Technical Assistance Center - Gender Responsive Budgeting in METAC Countries (X. Rame and J. Seiwald, 2019)

EXAMPLES IN THE CAPDR REGION

El Salvador: establishing programs promoting access to credit and the banking system for women, improving employment opportunities, strengthening property rights for women. Addressing sexual and reproductive health, ending violence against women and economic empowerment.

Costa Rica: instituting a project aimed at establishing legislative and operational basis for the implementation of gender-responsive budgeting tools.

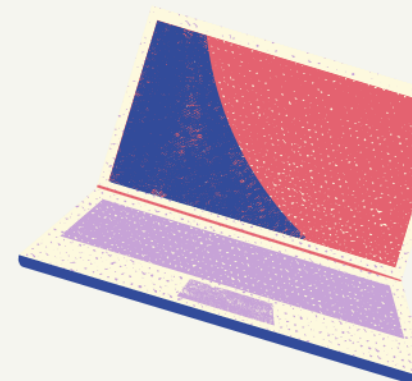
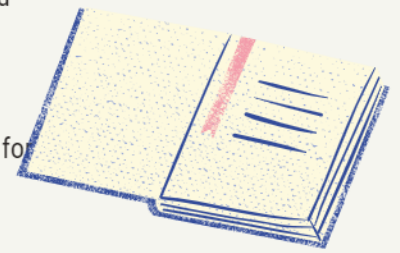
Dominican Republic: creating initiatives that resulted in budgetary allocations for the Ministry of Women, municipalities and provincial representatives, and accredited civil society organizations working for women's rights.

Guatemala: incorporating gender perspective in the national budget, which aims to understand the needs of the population by addressing them according to a gender and area classification (economic, socio-cultural, political, legal, among others). Creation of the Specific Cabinet for Women, which promotes inter-institutional actions for women.

Honduras: implementing a budget law stipulating that the government should promote gender equality by designing, preparing, implementing, monitoring and advising on the results obtained through fiscal programs.

Nicaragua: incorporating analysis of the fiscal and financial policies impact, as well as the allocation of public expenditure, to know whether these have an equitable effect on women and men. There is also an inter-municipality project to achieve gender-oriented development goals, in addition to results-based budgeting projects.

Panama: developing a policy that promotes the creation of institutional mechanisms to implement public policies with a gender perspective that guarantees the exercise of human rights.



Sources consulted:

IMF Working Paper - Western Hemisphere: A Survey of Gender Budgeting Efforts (L. Pérez y C. Rodríguez, 2016).

Meet the new CAPTAC-DR team members

Daniela Gallardo - Central Banking Operations



Bachelor's Degree in Economics from the Instituto Tecnológico y Estudios Superiores de Monterrey. She has a master's degree in Economics with a specialty in International Economics from New York University. Her professional career has developed mainly at the Bank of Mexico, where she has worked on various topics, including financial programming; implementation of monetary and exchange rate policy, evaluation and design of the market makers figure; market monitoring; international reserves and; central bank accounting. In February 2021, she joined CAPTAC-DR as Resident Advisor in Central Banking Operations.

Jovana Palacios - Estadísticas del Sector Real



Economist from Universidad Católica de Colombia, specializing in Finance and Public Administration. Recently, she was Technical Director of the National Accounts Division of the National Administrative Department of Statistics (DANE) Colombia, where she developed a career for more than 18 years in statistics of the National Accounts System, including the development and management of high-frequency indicators and quarterly national accounts. In April 2021, she joined CAPTAC-DR as Resident Advisor for the Real Sector Statistics area.

Mario Silva - Government Finance Statistics



Master in Business Economics from the Central American Institute of Business Administration (INCAE). Before joining CAPTAC-DR as Resident Advisor for the Government Finance Statistics area, he served as Head of the Financial and Fiscal Statistics Department for the Central Reserve Bank of El Salvador for 28 years. His professional experience in said institution was developed in the preparation, analysis and timely dissemination of financial, monetary and fiscal statistics, research coordination and project management. He also carried out multiple consultancies for the United Nations in different programs.