CAPTAC-DR NEWS

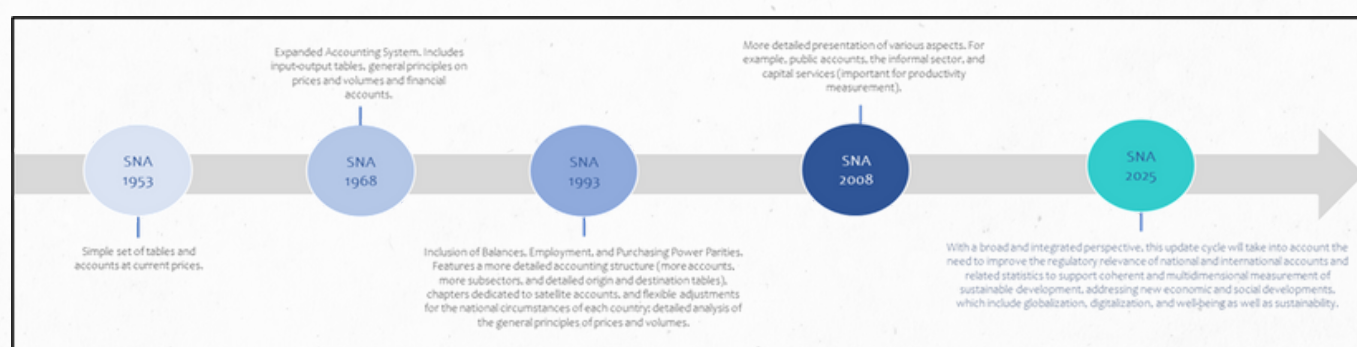**58th. Edition: February - April 2024**

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National Accounts: Rebasing

By: Jovana Palacios and Andrew Trejo

The System of National Accounts (SNA) is crucial for evaluating, analyzing, and predicting economic trends. It offers a comprehensive view of the economy, the key economic agents, and various economic variables.

A high-quality business register should realistically represent the country's enterprises, use classifications that ensure spatial and temporal comparability, and have data sources that provide the necessary information directly.

Figure 1. Evolution of the SNA's scope

SNA 1953 — Simple set of tables and accounts at current prices.

SNA 1968 — Expanded Accounting System. Includes input-output tables, general principles on prices and volumes and financial accounts.

SNA 1993 — Inclusion of Balances, Employment, and Purchasing Power Parities. Features a more detailed accounting structure (more accounts, more subsectors, and detailed origin and destination tables), chapters dedicated to satellite accounts, and flexible adjustments for the national circumstances of each country; detailed analysis of the general principles of prices and volumes.

SNA 2008 — More detailed presentation of various aspects. For example, public accounts, the informal sector, and capital services (important for productivity measurement).

SNA 2025 — With a broad and integrated perspective, this update cycle will take into account the need to improve the regulatory relevance of national and international accounts and related statistics to support coherent and multidimensional measurement of sustainable development, addressing new economic and social developments, which include globalization, digitalization, and well-being as well as sustainability.

Source: Uses of national accounts; History, international standardization, and applications in the Netherlands, Bos Fritz, Eagle Economic & Statistics, Work Document, 2008-1.

An accounting framework must accurately reflect economic reality and meet the needs of information users, especially in a dynamic environment. Thus, periodic updates incorporate recommendations and concepts tailored to the new features of production, investment, and consumption.

In the region, it is essential to build statistical and institutional capacity for countries to implement the SNA's methodological guidelines. CAPTAC-DR has been aiding member countries through technical assistance and regional activities to update their national accounts per the latest international standards. This assistance highlights the significant role of statistical infrastructure quality in the compilation and accuracy of data.

- **The business register**

Is vital for creating and maintaining an integrated economic information system with various objectives. Statistically, it is used for survey preparation and coordination and is a source for analyzing business activities and demographics. Additionally, it helps gather administrative data and identify and construct statistical units.

- **Classifications [1]**

These are a key element in the compilation of statistical indicators. The SNA employs various categories, some specific to national accounts, such as categorizing units into institutional sectors, goods and services, or transactions. Others are used both in the SNA and other statistical fields. Data sources must be adapted and collected according to international classifications to compile national accounts.

The main classifications are:

- The International Standard Industrial Classification of All Economic Activities (ISIC) is the international reference for classifying productive activities grouping activities based on similar production technologies for a range of products.

- The Central Product Classification (CPC): This classification is based on the physical characteristics of goods, or the nature of the services provided. It includes categories for all products traded nationally or internationally or stored.

- Classifications of Expenditure According to Purpose: The SNA uses special classifications to analyze consumption or expenditures by different sectors according to the purpose of the expenditure.

These functional classifications include:

- The Classification of Individual Consumption by Purpose (COICOP),

- The Classification of the Functions of Government (COFOG),

- The Classification of the Purposes of Non-Profit Institutions Serving Households (COPNI),

- And the Classification of Outlays of Producers by Purpose (COPP).

Estimating statistical indicators relies on information collected from two primary sources: **statistical data sources** (censuses [2] and surveys [3]) and **administrative records** [4].

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[1] Classifications are comprehensive and structured sets of mutually exclusive and well-defined categories, often presented as a hierarchy reflected in the assigned numerical or alphabetical codes. They are used to standardize concepts and compile data.
[2] A census is a survey conducted on a complete set of observation units belonging to a specific population or universe.
[3] A survey is a study of the characteristics of a given population by collecting data from a sample of that population and estimating its characteristics through the systematic use of statistical methods.
[4] An administrative source is a record of units and data associated with an administrative regulation (or group of regulations), which can be viewed as a source of statistical data.

- Census data estimate specific indicators and as a foundation for future developments. The three main types of censuses are agricultural, economic, and population censuses.

- Surveys provide more current statistics and are less expensive than censuses. Major surveys can be classified into categories such as agricultural, business, household, or price surveys. Administrative sources contain information not primarily collected for statistical purposes but utilized by statistical offices.
Examples of administrative sources include data from value-added tax, personal and corporate income tax, social security records, corporate accounting, and records held by central banks, among others.

The SNA advises updating the base year at least every five years to reflect the current dynamics of different economic sectors accurately.

This process enhances decision-making and monetary policy formulation. Rebasing ensures that the data remains precise, relevant, and reliable.

¿What does rebasing mean?

It comprehensively reviews work methods, economic unit coverage, classification systems, basic statistics, and data series within each country's National Accounts systems.

Below is an overview of the CAPRD region's progress in adopting the latest SNA methodology (SNA2008), including the current reference year for their national accounts and their plans for rebasing.

Table 1. Progress in the implementation of the NAS and base year of the NA by country

Country	Base year	Year of Publication	Methodological Rererence	Rebasing
Costa Rica	2017	2021	SCN2008	2022
República Dominicana	2007	2014	SCN2008	2018
El Salvador	2005	2018	SCN2008	NA
Guatemala	2013	2019	SCN2008	NA
Honduras*	2000	2007	SCN1993	NA
Nicaragua	2006	2012	SCN2008	2019
Panama	2018	2023	SCN2008	NA

Source: Own elaboration based on CAPTAC-DR Technical Assistance reports.
NA: Not available
 * Honduras has updated its base year to 2016, using the 2008 SNA as the methodological reference, but has not yet published the new NA series.

The region has made significant progress in enhancing the quality of its national accounts by compiling reliable and consistent statistics aligned with international best practices. This effort has provided better information for authorities and users. The Center supports these regional processes by providing technical assistance (TA). Currently, CAPTAC-DR is providing TA on various themes for three comprehensive rebasing projects (Costa Rica (2022), Dominican Republic (2018), and Nicaragua (2019)) to bring the base year within the five to10-year benchmark suggested by international best practices. It also assists other member countries in strengthening their compilations and updating their current bases.

International Standards for Government Finance Statistics under the GFSM Framework (2014)

By: Mario Silva and Andrew Trejo

The Regional Project for Harmonizing Government Finance Statistics (GFS), supported by CAPTAC-DR in coordination with the Executive Secretariat of the Council of Ministers of Treasury or Finance of Central America, Panama, and the Dominican Republic (*Secretaría Ejecutiva del Consejo de Ministros de Hacienda o Finanzas de Centro América, Panamá y República Dominicana, SECOSEFIN*) and the Executive Secretariat of the Central American Monetary Council (*Secretaría Ejecutiva del Consejo Monetario Centroamericano, SECMCA)*, aims to help CAPDR countries comply with international standards set by the 2014 Government Finance Statistics Manual (GFSM 2014) and the 2011 Public Sector Debt Statistics Guide (PSDSG 2011). This collaborative effort involves central banks, the National Institute of Statistics and Census of Panama, and the region's ministries of finance, working to enhance the quality of GFS and public sector debt statistics (PSDS).

1. Concepts and Institutional Units

International standards are critical for improving data collection and dissemination, promoting regional integration, and strengthening transparency and accountability. These standards also support better government decision-making. The GFSM 2014 and PSDSG 2011 are the foundation for CAPDR's medium-term capacity development program in this area. The IMF's manuals outline the key concepts, definitions, and classifications needed to compile and disseminate GFS under global best practices.

GFS should include all entities that play a significant role in fiscal policy. These entities, created through political processes, are dedicated to the economic functions of government. The term "government" refers collectively to the various entities in a country involved in public policy or individually to any level of government.

Determining the economic territory [5] using residency [6] criteria is essential to establish which entities should be included in GFS. Two main questions arise: What is the statistical unit for which data collection is feasible and meaningful? Which data should be included in GFS?

The statistical unit used in classifying sectors in GFS is the institutional unit [7], consistent with the unit used in the System of National Accounts (SNA 2008).

The public sector includes all resident institutional units controlled directly or indirectly by local governments, encompassing general government (GG) units and resident public corporations.

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[5] Economic territory refers to any geographical area or jurisdiction for which statistics are required. It may denote an area under the effective economic control of a specific government.

[6] The residence of each unit is determined by the economic territory where it has a predominant center of economic interest.

[7] An institutional unit is defined as an economic entity with the capacity, in its own right, to hold assets, incur liabilities, and engage in economic activities and transactions with other entities.

In the coverage of GFS, the GG is defined as a group of resident institutional units whose primary activity is to fulfill government functions and the public sector to cover market activities and the quasi-fiscal [8] operations of public corporations.

Graph 1: The public sector and its main components
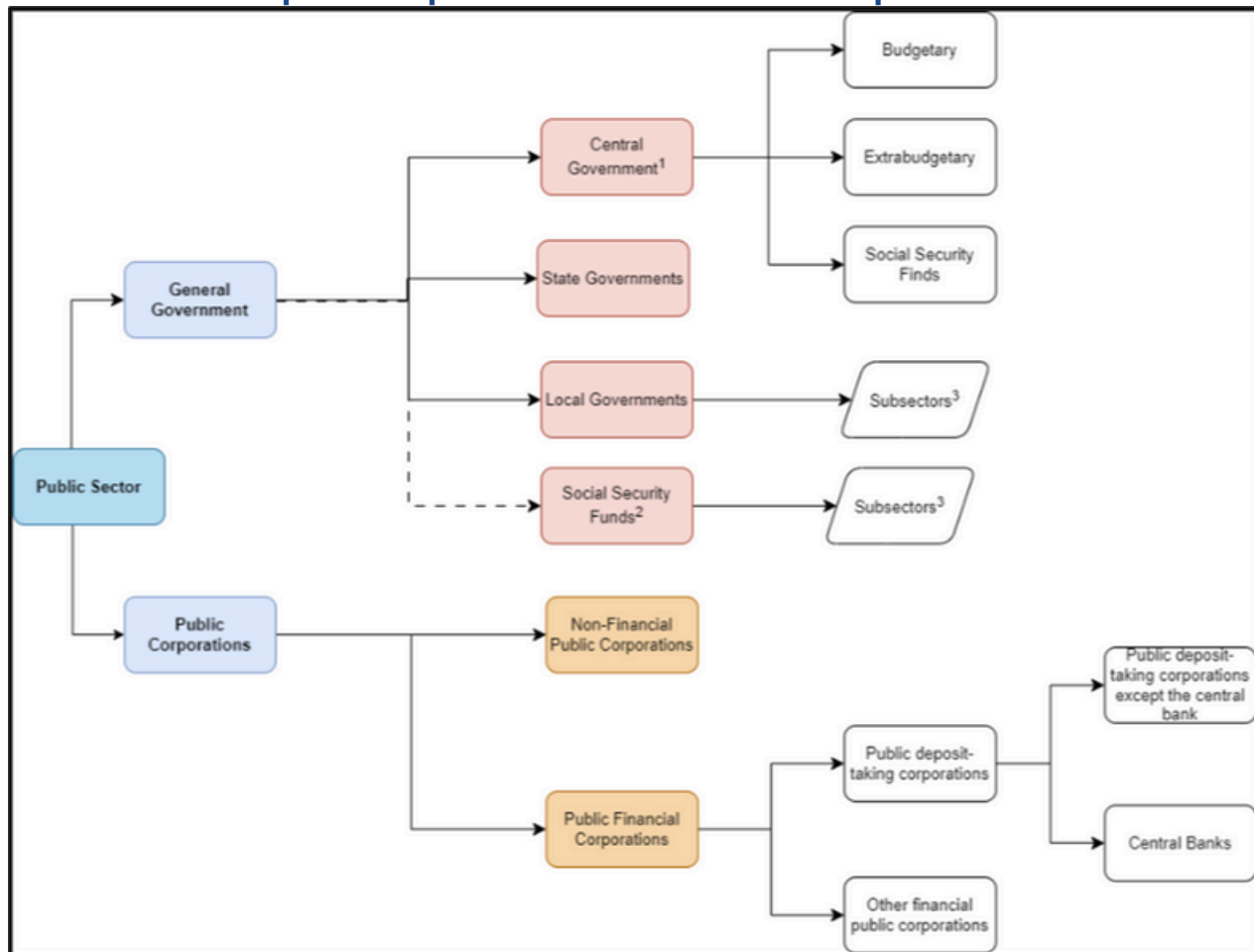
Source: Government Finance Statistics Manual 2014

1/ Includes social security funds (SSF).

2/ Another option is to combine the security funds into a separate subsector, as the dashed box shows. In the CAPDR region, this is how countries have agreed to record the SSF.

3/ There may also be budgetary units, extrabudgetary units, and security funds at the state and local government levels.

Institutional units include government components at the central, state, and local levels, public corporations, and non-profit institutions mainly funded by the government (see Graph 1). The classification is based on their economic functions and control, categorizing units as governmental for the provision of non-marketable goods and services, regulation, and redistribution. In contrast, public corporations function as producers controlled by the government.

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[8] Quasi-fiscal operations are government operations carried out by institutional units other than general government units.

2. Classification of transactions and other flows

The GFSM 2014 defines economic flows as changes in the value of assets and liabilities. These flows represent the monetary impact of financial actions and events that cause variations in economic value during a reporting period. Within the GFS framework, flows and stock positions are interconnected, meaning these flows can explain all changes in stock positions. Economic flows reflect changes in a unit's economic value, including asset, liability, or net worth variations. These changes can result from discrete events, such as the purchase of goods, or from ongoing activities, such as accruing interest on a government bond. Flows are categorized into transactions [9] and other economic flows.

Transactions are further divided into:

▶ Revenue Transactions: Inflows from taxes, social contributions, grants, and other sources of revenue.

▶ Expense Transactions: Outflows for goods and services, transfers, and other payments.

Other economic flows, however, include changes in the volume or value of assets and liabilities that do not arise from transactions.

The manual also includes accounting rules for recording and presenting GFS, which are crucial for maintaining accurate, reliable, and comparable data. These accounting principles, which also apply to PSDS, include:

- Accrual basis [10]: Recording transactions when economic value is created, transformed, exchanged, transferred, or extinguished, regardless of when cash is received or paid.

- Valuation: Recording assets or liabilities at market value or a close approximation.

- Consolidation: Consolidating the accounts of all government-controlled entities to present a comprehensive view of government finances
.
- Timing of registry: Recording transactions when the economic activity occurs, not when cash is exchanged.

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[9] This type of economic flow involves interaction between institutional units by mutual agreement.
[10] Another recording basis is the cash basis, where transactions are recorded when cash is received or paid, regardless of when the economic value was generated.

3. Progress in the region

Implementing the international standards set out in GFSM 2014 and PSDSG 2011 is crucial for improving the compilation and dissemination of GFS/PSDS. CAPTAC-DR provides technical assistance and training to help member countries enhance their statistical compilation skills, using widely accepted definitions of institutional units, transaction classifications, and effective accounting principles.

Countries in the region actively participate in the Regional Project for the Harmonization of GFS, making notable strides in institutional coverage, data compilation, and dissemination. The following table outlines each country's coverage in alignment with the GFSM 2014 [11].

Table 1: Sectoral coverage of GFS and PSDS [12] by country as of April 2024

Countries	GFS	PSDS**
Costa Rica	GG	BCG
El Salvador	CCG	BCG**
Guatemala	NFPS	BCG
Honduras	NFPS*	BCG
Nicaragua	BCG*	BCG
Panama	BCG*	NFPS
Dominican Republic	GG	NFPS

Source: Elaborated using the 6th Edition of the IREFP
* Honduras, Nicaragua, and Panama do not compile complete Govern Finance Statistics, as they do not include financing data.
** The PSDSs disclosed by all countries continue to apply a national classification. Countries are still working on including the nominal valuation of gross public debt and in determining accounts payable, as well as on adequately completing the institutional coverage of the Public Sector and its sub-sectors.

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[11] The latest Regional Report on Government Finance Statistics (Informe Regional de Estadísticas de Finanzas Públicas, IREFP) published by SECMCA and SECOSEFIN, in its 6th edition, maintains data coverage at the level of the Consolidated Central Government (GCC). See: Harmonized Government Finance Statistics - GTEFP - COSEFIN.
[12] Coverage is currently posted on the SECMCA website.

Summary of Capacity Development Activities

▶ **Tax Administration**

In Costa Rica, a plan for enhancing compliance was devised to identify risks in international taxation, especially among high-net-worth individuals. El Salvador also identified risks in international taxation and initiated assistance to assess the impact of electronic invoicing and collection on tax revenue. Guatemala developed a prototype for shadow declarations targeting particular medium taxpayers. The Dominican Republic evaluated progress in timely filing and payment, alongside collection, and devised an improvement plan.

A virtual regional seminar was conducted on the digitization of taxpayer services.

▶ **Customs Administration**

Costa Rica and Panama received technical assistance on post-clearance audits, while Costa Rica, El Salvador, Nicaragua, and Panama received technical assistance (TA) on risk analysis. El Salvador also received help in implementing a compliance improvement program, and Guatemala TA focused on adapting the customs clearance model for maritime operations.

Honduras received guidance on cargo traceability, and Honduras and Panama worked on enhancing their IT systems.

The third edition of the virtual phase of customs auditors' training, a seminar on customs' role in climate change, and the in-person phase of the advanced course on tax and customs administration senior officials were delivered.

▶ **Public Finance Management**

Costa Rica received TA to develop a gender-focused budget evaluation methodology. In Honduras, two TA missions provided support on closing trusts funds and on the implementation of International Public Sector Accounting Standards (IPSAS). El Salvador received support in modern treasury management and the implementation of IPSAS.

A regional virtual seminar on modern treasury management and webinars on fiscal transparency in public financial management and sectoral budget analysis (gender, climate change, and others) were held.

▶ Banking Supervision and Regulation

In the Dominican Republic, the Superintendency of Banks received bilateral training and assistance in developing a model for expected credit loss supervision, while the Superintendency of the Securities Market was supported its prudential framework.

The General Superintendency of Financial Institutions also received training on Basel Pillar 2 standards and the internal capital adequacy assessment process.

At the regional level, CAPTAC-DR continues to support the supervisory authorities of CCSBSO member countries in implementing the Basel Standards regionally. The Fintech Regulation and Supervision Seminar focused on the prudential and conduct regulation and supervision of technology-driven innovation in financial services.

▶ Central Banking Operations and Modeling

The central banking and modeling operations area did not have a resident expert during the fourth quarter of fiscal year 2024, so there are no activities to report. A new advisor joined the Center on May 1, 2024.

▶ Real Sector Statistics

TA was provided to three countries: (i) El Salvador, which received assistance in improving the compilation of quarterly GDP by the production and expenditure approaches; (ii) Nicaragua, in implementing the recommendations of the 2008 SNA for the base year 2019; and (iii) Panama, in developing an input-output table for the new base year 2018.

A face-to-face workshop on seasonal adjustment of time series was conducted. Additionally, a regional workshop was organized in two virtual and face-to-face phases to train 20 compilers in national accounts based on the 2008 SNA.

▶ Government Finance Statistics

TA was provided to Costa Rica in verifying the consistency between transactions above and below the line for the Consolidated Central Government (CCG) and in reviewing GG data. El Salvador received TA to strengthen the compilation and dissemination of Government Finance Statistics (GFS) and Public Sector Debt Statistics (PSDS). Panama received TA in the compilation of GFS, focusing on reviewing the bridge table of revenues and expenditures of the Budgetary Central Government (BCG). The Dominican Republic was assisted in expanding the PSDS to align with international standards.

In April, the XI regional meeting of the GFS Working Group was held, which discussed the progress of the 2018-2024 G/PSDS plan and the plan for the period December 2024-December 2027.

Meet CAPTAC-DR's New Team Members

We are pleased to introduce four new team members who joined CAPTAC-DR in March, April, and May this year.

María Eugenia Mejía joined the CAPTAC-DR team as an Administrative Assistant for Customs and Tax Administration in March. She holds a bachelor's degree in business administration from Universidad San Carlos de Guatemala and has completed Finance, Lean Six Sigma, and advanced Excel courses. Maria Eugenia has extensive experience in administrative roles, including event management and budget handling.

 She has a passion for Latin dance rhythms and Hispanic cuisine.

María Eugenia Mejía Méndez

In April, María José joined the CAPTAC-DR team as an Administrative Assistant for the Director's Office and Public Financial Management. She is completing her bachelor's degree in legal and social sciences at Universidad Rafael Landívar. She has completed SAP, Intellectual Property Rights, compliance, anti-corruption, and money laundering prevention courses. With over six years of experience in administrative assistance and event coordination, as well as travel management, budget handling, and document editing, among other administrative tasks, María José is proficient in platforms such as SAP, MS Office, iWork, DocuSign, OpenText, etc. She is passionate about regulatory compliance and business ethics and firmly believes in the importance of following the rules and maintaining high standards of integrity in organizations.

María José Velásquez Tun

Jorge A. Álvarez

Jorge joined the Center in May as a resident expert in central banking and modeling. He is a member of the International Monetary Fund staff. Previously, he was part of the IMF's Research Department's Global Studies Division and worked with Canada, Mexico, and Colombia country teams in the Western Hemisphere Department. Jorge has contributed as an author to several issues of the IMF's World Economic Outlook (WEO) report. Jorge holds a B.A. in Economics from Harvard University and a Ph.D. in Economics from Princeton University.

A Guatemalan, he is happy to return to his region and enjoy his country's food after several years working in Washington, DC.
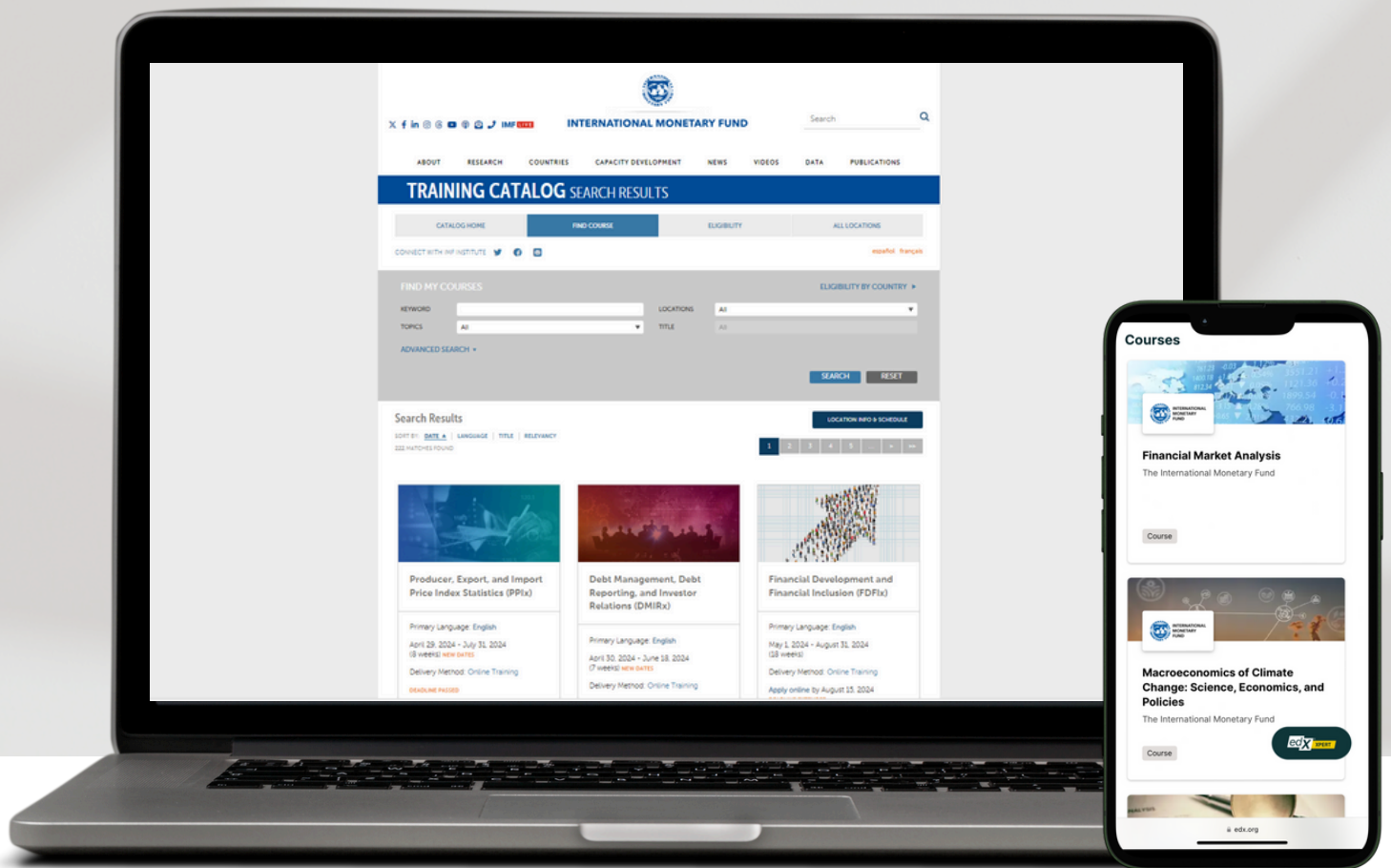
Enio Motta Junior

A Brazilian, Enio Motta Junior recently assumed the position of Resident Expert in Customs Administration at CAPTAC-DR. Before joining CAPTAC-DR, he worked for 24 years in the Brazilian tax and customs administration, accumulating a vast experience in customs auditing, customs valuation, and origin, as well as in regional integration processes related to tax and customs matters and coordinated border management. Since 2020, he held the position of Deputy Superintendent. Enio holds a degree in Civil Engineering and is a specialist in foreign trade from the Federal University of Pernambuco, Brazil. Additionally, he will complete a master's degree in public finance with an emphasis on tax administration at UNED/IEF in Spain in September. Between 2022 and 2023, he was a short-term expert (STX) for Guinea-Bissau, contributing to the strengthening of post-clearance customs control in that country.

As an authentic Brazilian, he cannot do without soccer and "churrasco", with a clear preference for the latter due to his skills in the former.

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