REGIONAL TECHNICAL ASSISTANCE CENTER FOR CENTRAL AMERICA, PANAMA, AND THE DOMINICAN REPUBLIC

ANNUAL REPORT & WORK PROGRAM 2020

CENTRAL AMERICA, PANAMA, AND DOMINICAN REPUBLIC
REGIONAL TECHNICAL ASSISTANCE CENTER (CAPTAC-DR)

ANNUAL REPORT AND WORK PROGRAM FOR FISCAL YEAR 2020

April 16, 2019

CAPTAC-DR

UNIÓN EUROPEA

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SECRETARÍA DE HACIENDA
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Government of Canada

THE GOVERNMENT
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THE EUROPEAN UNION
THE DOMINICAN REPUBLIC
LUXEMBOURG
CAPTAC-DR MEMBER COUNTRIES
Costa Rica
Dominican Republic
El Salvador
Guatemala
Honduras
Nicaragua
Panama
MEXICO
PANAMA
COSTA RICA
NICARAGUA
HONDURAS
EL SALVADOR
GUATEMALA

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ACRONYMS

Collaborating Agencies

CEMLA	Center for Latin American Monetary Studies
CIAT	Inter-American Center of Tax Administrations
ECLAC	Economic Commission for Latin American and the Caribbean
GIZ	German Development Agency
IADB	Inter-American Development Bank
IAIS	International Association of Insurance Supervisors
IFRS	International Financial Reporting Standards
IFS	Institute of Fiscal Studies of Spain
OTA	United States Office of Tax Administration
SIECA	Secretariat of Central American Economic Integration
SUNAT	National Superintendency of Customs and Tax Administration of Peru
USAID	United States Agency for International Development
WCO	World Customs Organization
WTO	World Trade Organization

Member Countries, CAPTAC-DR, and the IMF

AAA	Customs Administration
AAT	Tax Administration
CCSBSO	Central American Council of Superintendents of Banks, Insurance, and Other Financial Institutions
CMCA, SECMCA	Central American Monetary Council, Executive Secretariat of the CMCA
COSEFIN	Central American Council of Finance Ministers
CRI	Costa Rica
DOM	The Dominican Republic
D4D	Data for Decision Fund
FSSF	Financial Sector Stability Fund
GFS, GFSM 2014	Government Finance Statistics, Government Finance Statistics Manual 2014
GTM	Guatemala
HND	Honduras
ICD	IMF's Department of the Institute for Capacity Development
NIC	Nicaragua
OMX	Central Bank Operations
PAN	Panama
PFM	Public Financial Management
RBM	Results-Based Management
REG	Regional Projects
RM-TF	Revenue Mobilization Trust Fund
SBF	Financial Supervision
SCN, 2008 SNA	National Accounts Statistics, 2008 System of National Accounts
SLV	El Salvador
TADAT	Technical Assistance Diagnostic Assessment Tool

SUMMARY

- **Progress in fiscal year 2019 (FY19).** Countries made progress towards their capacity development (CD) goals during the last year of the current 5-year Phase II. They improved the institutional foundations for effective policy making, broadly in line with the work plan for FY19 (May 2018-April 2019), but progress in central bank operations was limited by the early departure of the regional advisor. The Center also worked closely with the regional councils of authorities to advance projects on regional harmonization and integration. Overall progress in milestones was strong (an estimated 3.4 out of 4), reflecting the commitment and ownership of the beneficiary authorities.

- **Financial execution and monitoring.** The Center executed an estimated 91 percent of the budget in FY19 (US$7.7 million) and shifted resources to training to facilitate adoption of technical assistance (TA) advice. The period of Phase II was extended through June 22, 2019 to invest leftover funds in CD priorities and allow more time to identify funding for the new phase. In preparation of Phase III, the Center issued the Program Document and conducted the fundraising process, jointly with country authorities and IMF staff. The Center stepped up consultation discussions with external partners in the region and fostered dissemination of TA reports.

- **Proposed work plan for FY20.** Based on the strategic objectives outlined in the Program Document for Phase III, the Center will start multi-year projects in its areas of operation, with initial focus on capacity for gender balance, equality, and governance. The Center will carry out the proposed activities by closely collaborating with the IMF, including through the Revenue Mobilization Trust Fund (RM-TF), the Technical Assistance Diagnostic Assessment Tool (TADAT), the Financial Sector Stability Fund (FSSF), and the Data for Decisions Fund (D4D). CAPTAC-DR will monitor the implementation of the multi-year projects through the IMF Results-Based Management (RBM) system.

- **Proposed budget for FY20.** Consistent with this year's work plan, the proposed budget stands at US$8.2 million. However, the challenge is to close a financing gap of nearly US$4.3 million for FY20. While the Center will actively continue the fundraising effort in close collaboration with member countries and IMF staff, it is highly uncertain that adequate funding will be secured on time. In these circumstances, the Center proposes a set of contingency actions to trim down the work plan to manage any financing shortfall. The contingency plan describes the priority outcomes and milestones that will be supported by the resources that will become available in FY20.

MAIN OUTCOMES IN FISCAL YEAR 2019

1. **The region continued to build capacity for effective policy making.** Policy goals across the region entailed consolidating macroeconomic stability, easing economic vulnerabilities, and creating conditions for faster and more inclusive growth. During the last fiscal year of Phase II, the Center focused its activities on the following priorities:

- **Public finances.** Tax administrations enhanced the ability to collect tax revenue, through stronger controls for tax compliance. Customs built capacity to adopt the trade facilitation agreement with the World Trade Organization (WTO). Public financial management improved the operation of treasuries and the framework for transparent budgets.

- **Financial sector.** Member countries upgraded the capacity to regulate and supervise risks in the financial sector to protect the integrity of banks and underpin financial stability.

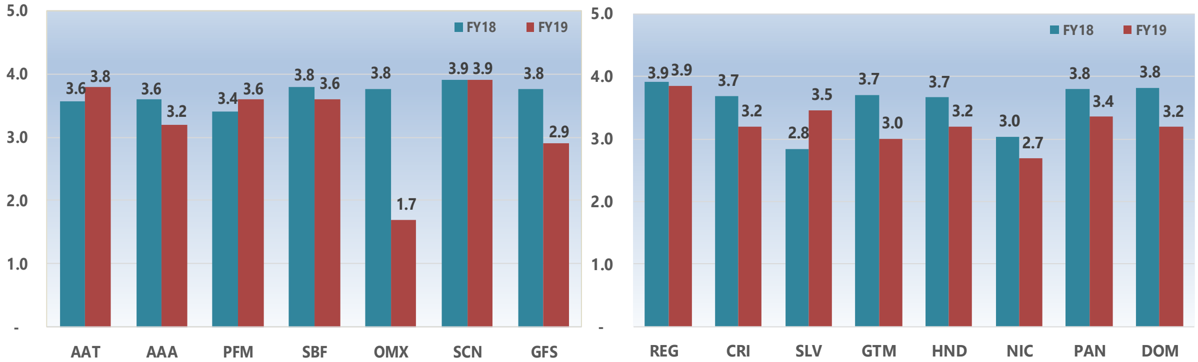
- **Macroeconomic statistics.** Countries continued to modernize the real sector statistics to measure more accurately the structure and activity in the economy and began to upgrade the public finance statistics to make them more comparable across the region. These efforts are providing better data to policy makers and private investors.

From the 5-year perspective of Phase II, the development of risk management in customs and the modernization of the treasury operations constituted relevant cases of success for the region (Annex 1 and 2). Moreover, recent projects to rebase the national accounts and harmonize the public finance statistics would markedly enhance the capacity for policy analysis (Annex 3 and 4).

2. **The Center's assistance was guided by country needs and the IMF CD strategy.** The Center supplemented IMF work on the mobilization of revenue under the RM-TF (Guatemala, Honduras) and TADAT, the assessment of financial sector stability under the FSSF (Costa Rica, Nicaragua), and the strengthening of multisectoral statistics (Nicaragua). In line with the IMF CD Strategy Review of 2018, it supported the surveillance work of IMF country teams and geared training towards facilitating and sustaining advances in CD. The Center prepared a "note from the field" for the 2018 CD Strategy Review report to illustrate recent innovations in the delivery of CD assistance to the region. The IMF also approved the provision of CD assistance to the regional councils, with a view of enhancing the effectiveness and regional focus of CD activities provided to member countries.

3. **Member countries made strong progress in milestones.** Average progress measured in milestones (weighted by the number of expert-weeks allocated to each milestone) reached an estimated 3.4 out of 4, below a grade of 3.7 recorded in FY18. This decline mostly reflected a temporary interruption of CD assistance in central bank operations, due to the early departure of the regional advisor, and to Nicaragua, due to a difficult social context (Chart 1 and Table 1). Aside from these events, milestones were largely or fully achieved in each area of operation or member country (Appendix 1). Additional progress was hindered by changes in country priorities, political uncertainties from elections, and gaps in coordination within technical teams.

Chart 1. CAPTAC-DR: Progress Achieved in Milestones during FY19
(Expert-weeks weighted averages, estimated as of end-April 2019)[1]



Scale: (1) Unmet, (2) partially met, (3) largely met, and (4) fully met. Reg: Regional projects. FY19: May 2018-April 2019.
Source: CAPTAC-DR staff estimations.

FINANCIAL REPORT

4. **Budget performance.** Financial execution is anticipated to reach 91 percent of the budget of US$7.7 million for FY19 (Table 2). Savings arose from: (i) a transitory suspension of the hiring of a new resident expert for central bank operations until funding for the new phase was secured; and (ii) a lower-than-planned usage of short-term experts in the three areas of public finances and in government finance statistics. These savings more than offset overruns in: (i) the real sector statistics, reflecting a greater demand for assistance to rebase the national income accounts; and (ii) training by the IMF´s Institute for Capacity Development (ICD), due to a higher-than-expected cost of the regional seminar on inclusive growth, which was conducted in Spanish for the first time in the Western Hemisphere.

5. **Training expenses.** Within the budget envelope, overall training expenses were nearly 1.5 times larger than the amount of US$0.4 million envisaged for FY19. Besides ICD training, this overrun reflected a higher demand for regional seminars and customized training, as well as a sharp increase in hotel and transportation costs. To contain rising costs, the Center shared costs with hosting countries (Costa Rica, Guatemala, and the Dominican Republic), moved seminars to lower-cost locations, and obtained greater collaboration from other CD providers. This effort enabled valuable seminars in Mexico and Peru; these seminars outside the region resulted in savings of up to 20 percent of the standard cost of a seminar in the region.[2]

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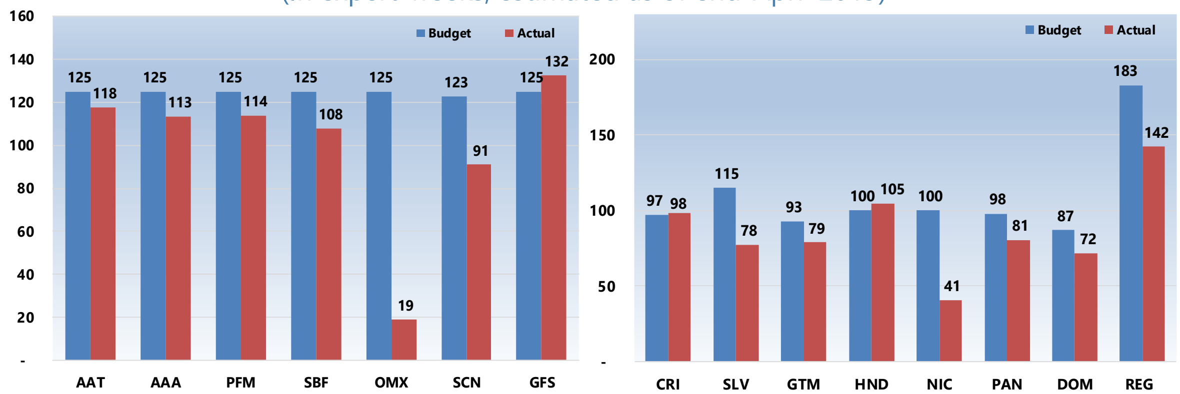
[1] Acronyms: tax administration (AAT); customs administration (AAA); public financial management (PFM); financial supervision (SBF); central banking (OMX); national accounts statistics (SCN); and public finance statistics (GFS).

[2] The Center co-organized 3 regional seminars in Mexico with the Center for Latin American Monetary Studies (CEMLA), and 1 seminar in Peru with the Inter-American Center of Tax Administration (CIAT), World Customs

(continued)

6. **Resource allocation**. The Center delivered 80 percent of the 873 weeks of fieldwork planned for FY19, mostly reflecting the noted pausing of CD delivery in central bank operations and to Nicaragua, and to a lesser extent, the fact that fewer resources were used to achieve the noted strong progress in milestones (Chart 2). Used resources fell short of the year's allocation in most areas, particularly in customs administration, financial supervision, and real sector statistics. Notwithstanding, some countries (Costa Rica, Honduras) used up their budget allocation to meet their priorities (Figure 2 displays in detail the use of resources).

Chart 2. CAPTAC-DR: Allocated Resources during FY19
(In expert-weeks; estimated as of end-April 2019)



Source: CAPTAC-DR staff estimates.

7. **Conclusion of Phase II.** Over the 5-year period of Phase II, CAPTAC-DR received US$30.4 million in contributions from financial partners, including interest earnings and transfers. The Center is anticipated to execute 97 percent of these resources by end-April 2019, with minor under-execution in most work stream areas and administrative outlays (Table 2 and 3). In February 2019, the Steering Committee extended the period of Phase II from end-April to June 22, 2019 to utilize leftover funds amounting to nearly US$1 million in priority CD activities and provide more time to identify funding for Phase III.

8. **Preparation of Phase III.** The Center worked intensively in the preparation of Phase III, jointly with country authorities, financial partners, and IMF staff (Box 1). Building on actions taken in FY18, which included the migration to the RBM system and the successful completion of a mid-term external evaluation of the Center´s operations, CAPTAC-DR issued the Program Document for Phase III in May 2018 and kicked off the fundraising strategy in Honduras in July 2018.[3] On the occasion, all member countries (except Nicaragua) agreed to triple their contributions for Phase III, while Luxembourg later pledged its commitment to the new phase. The regional councils also reached out to potential financial partners, while country authorities

Organization (WCO), National Superintendency of Customs and Tax Administration in Peru (SUNAT), and the United States Agency for International Development (USAID). Overall, the Center delivered 21 regional seminars compared to 17 seminars envisaged for FY19.

[3] See CAPTAC-DR Program Document for Phase III for details on the CD strategy for the next 5-years and its costing (https://www.captac-dr.org/content/captacdr/es/Publicaciones.html).

and IMF staff have followed up. As described below (¶27), some 29 percent of the targeted US$40 million in contributions has been pledged so far for Phase III.

REPORT BY AREA OF OPERATION

A. Tax Administration

9. **Member countries made strong progress in upgrading tax administration processes.** The effort centered on improving tax controls (particularly for the value-added tax) and utilizing tax information to reduce evasion. Further progress was limited by a slow adoption of new technology and scarce financial resources. Main outcomes achieved include:

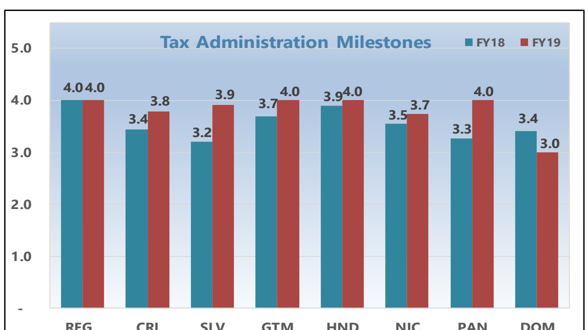
- **Regional projects.** The Center elaborated a managerial capacity development program, in collaboration with other CD providers (CIAT, GIZ, IADB, IFS), and regional experts. The training targeted middle-level managers in the region, with gender balance in participation. The Center also prepared regional guidelines on the compilation and usage of information from third parties to improve tax compliance. The guidelines seek to assess the level of capacity and define actions to close gaps in the usage of this relevant tool of control.

- **Core functions.** Projects to develop capacity in tax registries were successfully concluded in Costa Rica and Nicaragua. Verification of tax returns and payment advanced in Costa Rica, El Salvador, and Nicaragua. However, the region needs to further tighten these processes, broaden the coverage of auditing, and develop stricter controls over taxpayers based on risk profiles. In this regard, some countries improved the selection of taxpayers for auditing (Costa Rica, El Salvador, Honduras, Nicaragua, Panama).

- **Risk management.** Countries started implementing a methodology to identify and assess risks on tax collection, with significant progress in Costa Rica and the Dominican Republic.

- **Managerial capacity.** The Center helped strengthen the formulation of strategic and operational plans and set up performance indicators and monitoring, particularly in Guatemala and Honduras.

- **Training.** Regional seminars focused on the strengthening of managerial capacity (Costa Rica) and the usage of third-party information to improve tax compliance (Panama).



Scale: (1) Unmet, (2) partially met, (3) largely met, and (4) fully met. Reg: regional projects. Expert-weeks weighted average; estimated as of end-April, 2019.

10. **Milestones**. Overall, the region largely achieved milestones set for FY19 (3.8 out of 4), above the level recorded last year (3.6). A strong commitment and an efficient use of the assistance stood out across the region. Performance in El Salvador rebounded from a

fire-related damage in FY18, while progress in the Dominican Republic was affected by a change in priorities.

B. Customs Administration

11. **Member countries improved customs processes, risk management, and managerial capacities.** The goals were to foster voluntary compliance, facilitate trade, and enhance competitiveness. Outcomes achieved include:

- **Regional projects.** The creation of a regional working group helped implement the strategy on integrated risk management approved in FY18. The Center outlined models of cargo control and post clearance for mitigation of risks on sensitive goods. It concluded modules of a program on leadership and managerial capacities for tax and customs officials that will be launched next fiscal year. The Center developed metrics of operating indicators to facilitate monitoring of customs performance. These metrics will serve as a baseline for the execution of projects during Phase III.

- **Customs processes.** Increased transparency and implementation of the WTO agreement are priorities for the region. In this regard, Panama upgraded clearance processes in the main ports. Guatemala is upgrading clearance processes prior to the introduction of a new IT management system, as envisaged under its customs modernization plan for 2019-23. Costa Rica, Honduras, and Panama concluded the initial phase of a new process for registration of trade operators. El Salvador is adopting a new paperless IT system in a large port (Acajutla), already reducing clearance time by 60 percent.

- **Risk management.** Countries improved capacity to mitigate risks of fraud and contraband, drawing on the regional strategy on integrated risk management (see Annex 1). They are adopting a CAPTAC-DR methodology for the segmentation of traders based on risk profiles (Panama) and, where the segmentation is already in place, targeted specific risks to enhance clearance control (Costa Rica, El Salvador, Honduras, Guatemala, and the Dominican Republic). Countries defined an action plan for a new post-clearance auditing (El Salvador, Honduras) to mitigate risk of fraud for sensitive goods. The adoption of an integrated cargo control program in large customs offices (El Salvador, Guatemala) is resulting in increased tax collection.

- **Managerial capacity.** Countries improved management and governance. Costa Rica and El Salvador updated the strategic plans for the incoming governments. The Dominican Republic set up performance indicators linked to the strategic and operational plans. Guatemala launched a customs modernization program based on a medium-term strategic plan. Honduras approved the organizational chart of new customs agency.

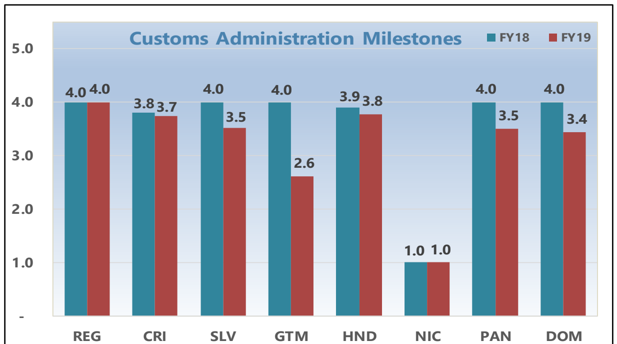
- **Training.** The Center organized three regional seminars and extensive customized training:

- The regional seminar on technology for customs (Peru), benefited from collaboration of the tax administration of Peru (SUNAT), CIAT, USAID, WTO, and speakers from Bolivia, Mexico, and Uruguay. The seminar coincided with the WCO World IT Conference 2018, allowing officials to learn about global trends on IT for customs (such as, cloud computing, internet of things, artificial intelligence, blockchain, and big data).

- The other two regional seminars comprised training: (i) on post-clearance auditing (the Dominican Republic), in collaboration with the WCO and with participation of officials from other Latin American and Caribbean countries; and (ii) on border control for El Salvador, Guatemala, and Honduras, contributing with USAID for the creation of a new program of coordinated border management; and

- Customized training on strategic planning, results-based management and post-clearance auditing was delivered to officials in Costa Rica, El Salvador, Guatemala, Honduras, and the Dominican Republic.

12. **Milestones.** Countries largely achieved milestones set for FY19 (3.2 out of 4), somewhat below the level recorded last year (3.6). Nicaragua did not use the Center's assistance this fiscal year.



Scale: (1) Unmet, (2) partially met, (3) largely met, and (4) fully met. Reg: regional projects. Expert-weeks weighted average; estimated as of end-April, 2019.

C. Public Financial Management

13. **Countries reached milestones in treasury management, financial programming, and fiscal transparency.** The Center supported efforts to broaden the coverage of consolidated financial statements and disclose fiscal risks, which are key building blocks for fiscal transparency.

- **Treasury management.** Panama incorporated several public enterprises into the Treasury Single Account (TSA). Other countries improved the collection of nontax revenues, including through the expansion of the network of banks that provide collection services (Honduras). Dominican Republic has been introducing an online payment system for the procurement of services to the public sector, linked to the TSA (see Annex 2).

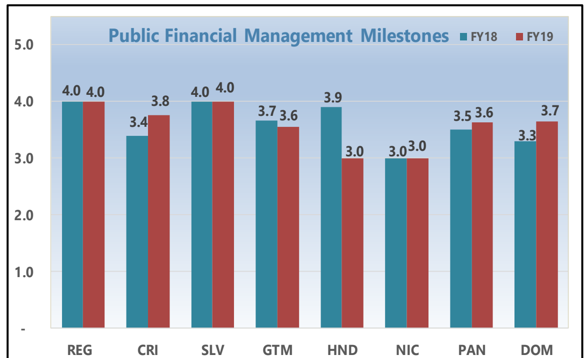
- **Fiscal framework.** The effort focused on refining financial programming for macro-fiscal forecasting, which will ultimately pave the way to the elaboration of medium-term budget frameworks. Panama defined a set of main indicators for the four sectors that will form the basis of the financial programming model. Guatemala and Dominican Republic greatly improved their financial programming and debt sustainability analysis.

- **Fiscal transparency.** Costa Rica and the Dominican Republic joined the group of member countries (El Salvador, Guatemala, Honduras) that prepare an annual report on fiscal risks.

Panama assessed some fiscal risks in preparation of its first report, while Guatemala evaluated the risk of natural disasters and their potential cost. Panama and Guatemala defined action plans to elaborate financial statements for the central government and the nonfinancial public sector, respectively. El Salvador is shifting its accounting consolidation system to a new financial management information system.

- **Training**. The Center organized two regional seminars on modern practices for treasury management and transparency. In collaboration with CEMLA, the Center delivered a joint seminar with the area of government finance statistics on the consolidation of public sector financial statements. Accounting officers and statistician from the region participated in the seminar, as well as officials from Mexico.

14. **Milestones.** Overall progress reached a score of 3.6 out of 4, slightly above the score of 3.4 reported last year, despite an under-execution of expert-weeks during the year. Honduras and Nicaragua largely met planned milestones.



Scale: (1) Unmet, (2) partially met, (3) largely met, and (4) fully met. Reg: regional projects.
Expert-weeks weighted average; estimated as of end-April, 2019.

D. Financial Supervision

15. **Countries move forward with the tailored adoption of international standards,** achieving milestones on financial risk management, Basel standards, and risk-based supervision. Most countries adopted Basel standards on capital and liquidity buffers, contributing to financial stability. Countries further enhanced supervisory capacities and monitoring tools for banking and insurance supervision. Main outcomes attained include:

- **Regional Projects**. The Central American Council of Superintendents of Banks, Insurance, and Other Financial Institutions (CCSBSO) agreed on a standardized methodology for the supervision of corporate governance in consolidated banking groups operating in the region. As part of the adoption of international financial reporting standards (IFRS), members agreed on common procedures to supervise financial instruments (under IFRS 9) and the basic parameters of a common methodology to assess expected financial losses.

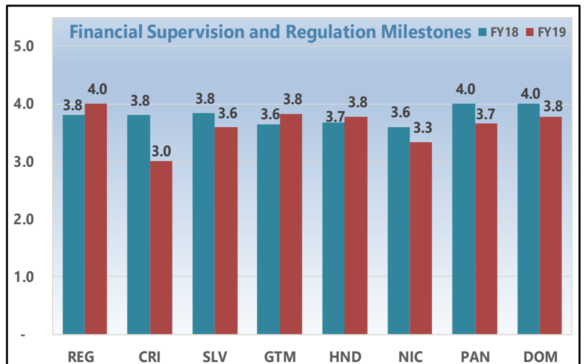
- **Regulatory framework**. Countries updated regulations on: (i) credit risk and provisions (Costa Rica, Guatemala, Nicaragua); (ii) market and interest rate risks in the banking book (Honduras, Dominican Republic); and (iii) information technology risk (El Salvador). Guatemala and El Salvador continued to strengthen regulations on the insurance sector and its risks (i.e., catastrophic) to close the gap with the standards suggested by the International Association of Insurance Supervisors (IAIS).

- **Basel standards**. Countries started a process to introduce capital buffers for market (El Salvador) and operational risks (Honduras). They assessed the impact on the banking system and updated prudential requirements to manage those risks. The Dominican Republic is adopting regulations on the liquidity coverage ratio and trained supervisors. The Center participated in the Financial Sector Stability Review (FSSR) for Nicaragua to guide future delivery of CD assistance.

- **Supervision**. Countries provided training on best practices on the supervision of credit (Costa Rica, Guatemala, Nicaragua, Panama), market (Honduras, Dominican Republic), liquidity (Dominican Republic), operational (El Salvador, Honduras), and interest rate risks in the banking book (Guatemala, Dominican Republic). Panama designed an action plan to upgrade its off-site reporting system. In the insurance sector, El Salvador developed supervisors' capacity to introduce risk-based supervision and Guatemala is developing a catastrophic risk model.

- **Training**. In addition to customized training delivered during missions, the Center organized three regional workshops to build capacity on: (i) Basel Core Principals for an effective banking supervision, (ii) supervision of corporate governance in banks and financial groups, and (iii) supervision of cyber risk. The latter is part of a series of IMF workshops delivered worldwide.

16. **Milestones**. The weighted-average of progress in milestones was 3.6 out 4, slightly below than in the last fiscal year (3.8). The regional project fully met its milestones, while member countries largely met them.



Scale: (1) Unmet, (2) partially met, (3) largely met, and (4) fully met. Reg: regional projects. Expert-weeks weighted average; estimated as of end-April, 2019.

E. Central Bank Operations

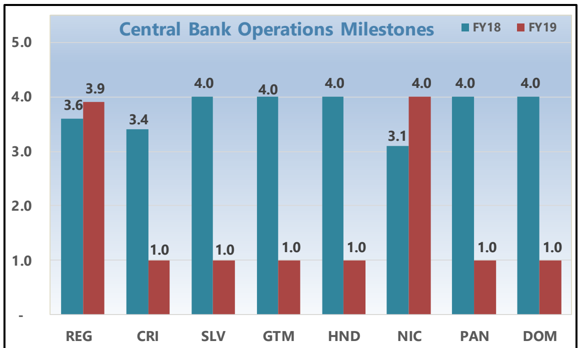
17. **There was limited progress in milestones, due to the early departure of the Center's regional advisor.** The hiring of a new advisor has been put on hold until funding uncertainties for the new 5-year phase are resolved. Notwithstanding, milestones were partly met for the regional projects and in Nicaragua with the assistance of the Center:

- **Regional projects.** The Secretariat of the Central America Monetary Council (SECMCA) is building capacity to assess systemic risk at the regional level, including stress-testing models. SECMCA is designing tools to measure the degree of interconnexion of national financial sectors and design responses against financial contagion across countries.

- **Financial stability.** Nicaragua issued a financial stability report for the first time, emphasizing financial vulnerabilities and stress-testing of macro shocks. Nicaragua also took steps to improve the analysis and monitoring of systemic risk, by developing initial indicators of households leverage and housing prices.

- **Training**. In collaboration with IMF staff, the Center conducted regional seminars on: (i) financial sector surveillance that built capacity on the assessment of risks to financial stability; (ii) macroeconomic analysis and projections; and (ii) evolving monetary policy frameworks that provided country experience with more advanced forward-looking frameworks. The conclusions of the latter seminar were discussed with the CMCA's Policy Committee.

18. **Milestones.** Aside from the progress in the regional project and Nicaragua, the absence of a regional advisor made it hard to implement projects in FY19 and countries were unable met any of the envisaged milestones.



Scale: (1) Unmet, (2) partially met, (3) largely met, and (4) fully met. Reg: regional projects. Expert-weeks weighted average; estimated as of end-April, 2019.

F. National Accounts Statistics

19. **Countries made progress in modernizing the national accounts, guided by the standards of the 2008 System of National Accounts** (*2008 SNA*). Main outcomes included:

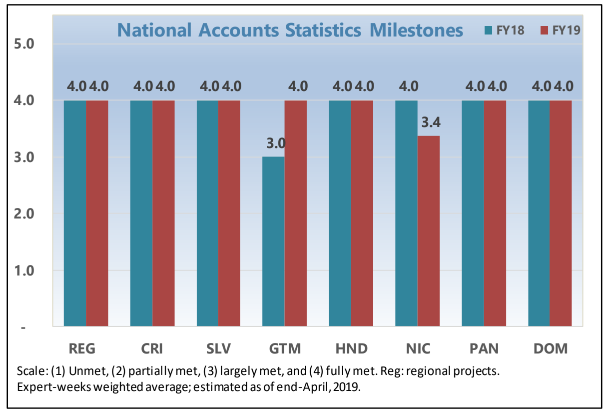
- **Base year.** Costa Rica advanced in the compilation of annual and quarterly national accounts in current and constant terms under the new 2017 base year. Honduras upgraded the classification for annual compilations, sources of data, and technical capacities in preparation for the new 2016 base year. Nicaragua updated the work plan for the new 2018 base year, with the advice of an IMF multisectoral mission. Assisted by other CD providers, Guatemala plans to disseminate national accounts with the new 2013 base year by mid-2019 (see Annex 3).

- **Institutional sectors.** Countries improved the compilation of the gross domestic product (GDP) from the income side, particularly for households and nonfinancial corporations (Costa Rica, El Salvador, Honduras); as well as the compilation of the quarterly GDP from the expenditure side (Panama); and finalized the supply-and-use tables to reinforce the estimation of GDP from the production side (El Salvador).

- **Price indices.** Guatemala designed an action plan to update the consumer and producer prices to the new 2013 base year. Honduras is preparing a new national household survey to update the price indices, while Panama changed priorities to update prices to the new 2018 base year.

- **Training.** In collaboration with CEMLA and IMF staff, the Center organized a regional course on policies for inclusive growth. The Center also conducted three regional seminars to help migration to the new base years, covering: (i) methodologies on sectoral accounts, focusing on the harmonization of national accounts, with monetary, external, and public sectors; (ii) methods on price indices to compile the new national accounts in real terms; and (iii) economic surveys to enable the use of administrative data in the rebased national accounts. The Center provided customized training in El Salvador and Honduras.

20. **Milestones.** The region delivered a milestone score of 3.9 out of 4 (same as last year). Countries fully achieved envisaged milestones, except for Nicaragua that redefined priorities following a multisectoral mission. As noted, most countries are migrating to a new base year. El Salvador and Panama are improving existing national accounts series, while the Dominican Republic focused on the external sector statistics.



G. Government Finance Statistics

21. **Countries reached milestone progress in the first full year of operations of this new area of the Center.** Countries were able to disseminate central government annual statistics, in line with IMF methodology (*GFSM 2014*) and began preparatory work to disseminate monthly statistics. Key outcomes achieved with the support of the Center included:

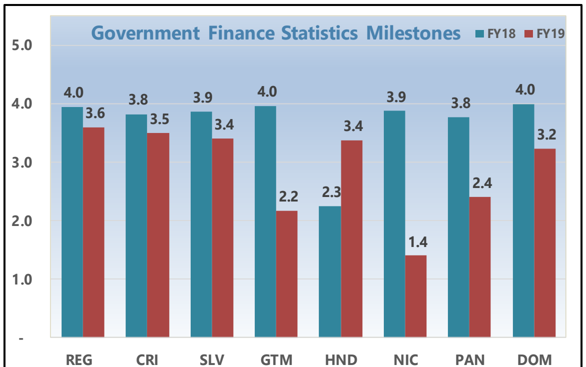
- **Regional projects.** In November 2018, the regional councils (COSEFIN, CMCA) approved the strategy for the regional harmonization of public sector statistics, endorsed the work plan for the period 2018-23, and set up a working group in charge of implementation. The group comprises officials from the finance ministries, central banks, and statistical offices. Following the experience of the harmonization of monetary and financial and external sector statistics, this strategy has been framed to enhance fiscal analysis, allow cross-country comparability, and improve policy design at the regional level (see Annex 4).

- **Dissemination.** Diagnostics conducted in FY18 revealed a similar state of development of statistics across the region and defined initial priorities. Based on these diagnostics, countries adopted an institutional table for the public sector, consistent with the *GFSM 2014* and the *2008 SNA*, but progress was uneven in the dissemination of monthly budgetary central government statistics. The Dominican Republic was the first country to disseminate these statistics, owing to the close collaboration between the finance ministry and the central bank, while Costa Rica, El Salvador, and Honduras should be next. For the first time, Panama compiled annual statistics in line with international guidelines. Guatemala should take advantage of the availability of statistics to move forward.

- **Debt statistics.** Countries developed work plans to improve the public debt statistics. They made initial progress improving the institutional coverage and enhancing the consistency in the classification of domestic and external debt, but there are various areas that need improvement. After extensive customized training delivered by the Center, countries are expected to make gradual progress in the implementation of their work plans.

- **Training.** The Center delivered four regional seminars on: (i) the strengthening of fiscal statistics for policy-making, (ii) the harmonization of statistics; and (iii) the consolidation of statistics for accountants and statisticians (Mexico). The latter was made in collaboration with CEMLA, was jointly delivered with the area of public financial management and allowed the participation of Mexican officials. The Center delivered extensive customized training on debt statistics to all countries (but Nicaragua), covering nearly 200 officials and benefiting from cost-sharing arrangements with hosting countries. Nicaragua is expected to receive customized training in August 2019.

22. **Milestones.** Milestone progress was strong, with a score of 2.9 out of 4, but below last year's score (3.8). Costa Rica, El Salvador, Honduras, the Dominican Republic, and the regional project largely achieved their milestones. Guatemala and Panama need to pick up the pace in public debt statistics and catch up with the timetable for regional harmonization. Nicaragua needs to follow up on its action plan to attain improvements in both government finance and public debt statistics.



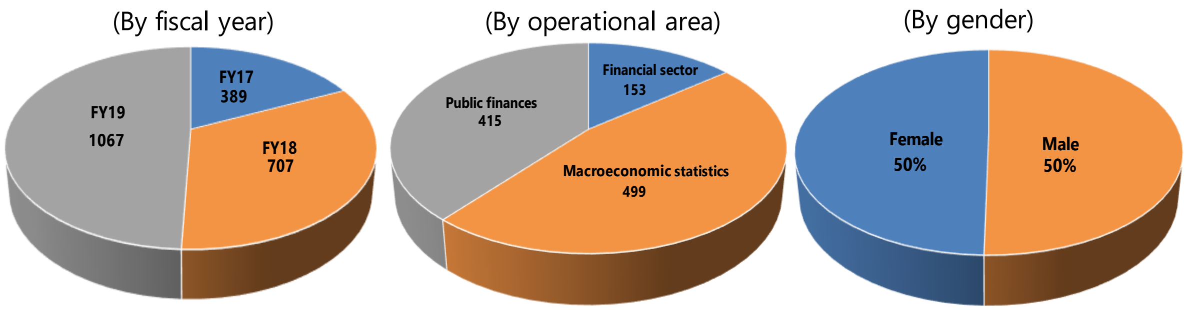
Scale: (1) Unmet, (2) partially met, (3) largely met, and (4) fully met. Reg: regional projects. Expert-weeks weighted average; estimated as of end-April, 2019.

TRAINING

23. **Training helped build institutional capacity and strengthen policy analysis.** Regional seminars included themes suggested by countries and external partners, such as inclusive growth policies, supervision of cyber risk and corporate governance, fiscal transparency, and managerial leadership for tax and customs administration (Table 4). To facilitate milestone progress, customized training focused on tax collection, gender budgeting, and national income accounts and public debt statistics (Table 5). Most regional seminars greatly benefited from participation of high-level country authorities and external partners. Their participation motivated officials to take advantage of the regional training to speed up the adoption of TA advice, disseminate the new knowledge to peers back home, and strengthen the policy analysis.

24. **Delivery.** The Center delivered 21 regional and 14 bilateral training events in FY19, with record participation of over 1,000 officials, gender balance participation, and an overall score of 4.8 out of 5 (see Chart 3 and Tables 4-5). Participants noted the positive contribution of this year's seminars to the institutional capacity in their countries. Collaboration with other CD providers (CEMLA, CIAT, OMA, SUNAT, and USAID) led to greater coordination, more focus on capacity building results, and important savings for the Center.

Chart 3. CAPTAC-DR: Training during FY19
(Estimated as of end-April 2019)



Source: CAPTAC-DR staff.

COMMUNICATIONS AND VISIBILITY

25. **The Center continued disseminating key achievements and provided a platform for partner's visibility**. This year, the effort focused on the dissemination of TA reports, intensified consultation with external partners, and integration with partners' communication practices. The Center also leveraged on a combination of communication tools to showcase the relevance of TA projects and training events in building capacity for policy formulation and highlighting the support of external partners. Key highlights included:

- **Dissemination of TA information.** The sharing of TA reports among member countries and external partners through our secure repository had remained low during most of the period of Phase II. With the support of the regional councils, dissemination of TA reports rose from 35 percent of all report produced during the current phase to nearly 60 percent during this fiscal year. The Center also provided access to several CD experts operating in the field to the secure repository. This effort has helped explore synergies with CD providers, heighten coordination in CD delivery, and share experience across countries.

- **Consultation with external partners.** Intensified consultation with embassies and technical offices of external partners in the field led to important benefits (Table 6). While the Center briefed partners on CD developments and prospects, it obtained valuable input on outreach from partners, particularly from the Communication and Visibility Manual of the European Union and is exploring joint-assistance on gender budgeting in Honduras with the European Union. Moreover, officials from Canada, the European Union, Luxembourg, and Mexico have shared their country experience during regional training.

- **Newsletter**. The quarterly newsletter was distributed to a wide audience of some 1,600 subscribers, covering external partners, country officials, academia, and media across the region. The newsletter reported on key results of regional seminars, project missions, and relevant joint-activities with external partners. A new feature was the inclusion of interviews with country authorities and external partners, intended to provide a broader perspective on the strategy of capacity development.

- **Progress report and upcoming activities**. The quarterly report of milestone progress and allocated resources was prepared for country authorities, external partners, and Fund staff. The report disseminated and monitored the results recorded under the RBM system. Also, a schedule of CD events for the 8-week period ahead was distributed every two weeks to help stakeholders track the Center's activities.

- **Website and social media**. The Center´s website is the main outlet to showcase CD achievements in the region. After some delay, the Center expects to conclude soon a more secure and user-friendly website (www.captac-dr.org), with the help of the IMF's Communications and Information Technology Departments. Twitter (@captacdr), with more than 600 followers, continues to be the preferred social network for sharing news on training and mission work.

WORK PROGRAM FOR FISCAL YEAR 2020

26. **The work plan for the first year of Phase III will be guided by countries' priorities, but it will likely be constrained by limited financial resources.** Based on the Program Document, the Center will support the strategic objectives of the new phase through the implementation of multi-year projects, with initial focus on capacity for gender balance, equality, and governance. The work program excludes activities in central bank operations, and related outcomes and milestones will be presented to the Steering Committee after a new regional advisor is incorporated in the Center. The main challenge for FY20 is to secure the funding required to provide the desired level of CD envisaged under the Program Document. Thus, the proposed budget contemplates contingency actions that will be triggered in response to the size of the financing shortfall.

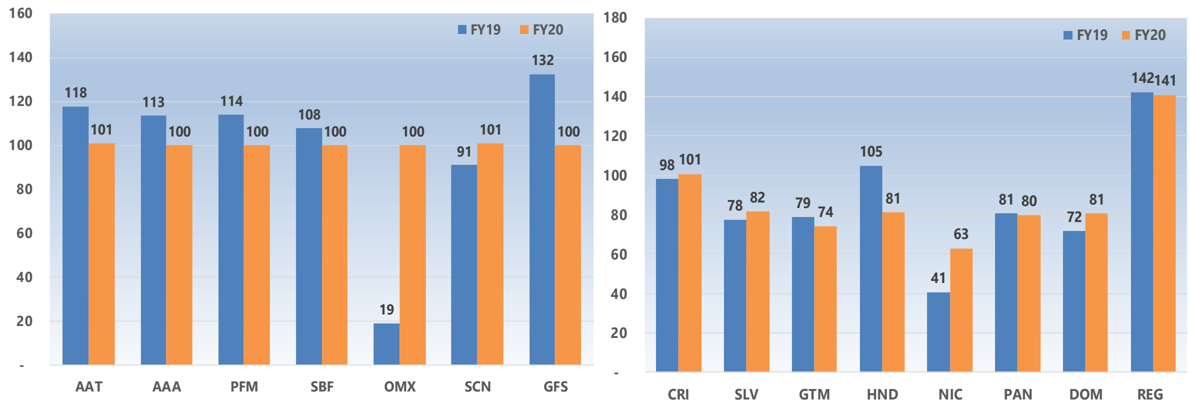
A. Financial Budget

27. **State of pledges.** As of end-February 2019, CAPTAC-DR has received pledges for nearly US$12 million, out of the target of US$40 million envisaged in the Program Document (Table 7). The pledges comprise a three-fold increase in contributions by member countries (except one) from Phase II and the renewed commitment from Luxembourg. In addition, the Central Bank of Guatemala and the IMF have agreed to provide in-kind support for US$3.4 million to operate the Center during the new phase. Given the strong expression of support received from potential external partners, country authorities and IMF staff will continue the ongoing dialogue, with the goal of securing the necessary funding for the new phase.

28. **Proposed budget.** In line with the Program Document, the Center proposes a budget of US$8.2 million for the first year of Phase III. This year, the budget is framed within a three-year rolling period, in line with new IMF guidelines (Table 8). The budget projects an overall allocation of 700 expert-weeks (same as in FY19) and 14 regional seminars (20 seminars in FY19) to account for rising mission costs (Chart 4). Appendix 2 summarizes the expected outcomes and milestones by area and by country for FY20 that have been agreed with countries and IMF CD Departments.

Chart 4. CAPTAC-DR: Proposed Resource Allocation for FY20

(In expert-weeks)



Source: CAPTAC-DR staff estimates.

29. **Financing and risks.** The budget assumes the timely identification and delivery of financial contributions amounting to US$7.6 million for FY20. However, the funding currently available is equivalent to only US$3.3 million. As earlier noted, this funding comprises the expected disbursements from all member countries, contributions disbursed from Luxembourg, and the resources related to the extension of Phase II. While fundraising efforts are ongoing, it is highly uncertain whether the current financing gap will be closed. As a result, there is a need to consider a contingency budget to manage the financing risk.

30. **Contingency plan.** Under the funding currently available, the budget ceilings for each workstream would be severely curtailed and CD projects would be markedly scale down, with regional advisors providing most of the assistance (see Table 8). In consultation with countries and IMF staff, the Center has prioritized the outcomes and milestones that will be supported under different levels of financing (Text Table and Appendices 2-3). In this context, the Center proposes the following contingency actions, in case financing remains at the current level:

Proposed set of milestones

Financial Contribution [1]	Priority [2]	Accumulated Milestones [3]
3.3	1	33
4.0	2	55
6.0	3	79
7.6	4	100

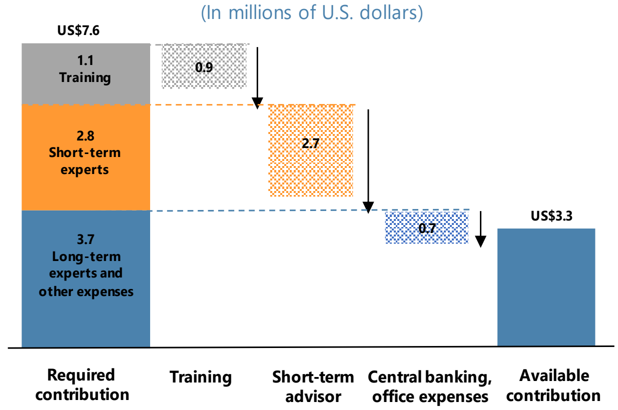
[1] In millions of U.S. dollars.
[2] Highest: 1; lowest: 4.
[3] Percent of 168 milestones under the work plan.

- **First,** the Center will delay the hiring of the regional advisor for central banking until funding for the new phase is comfortably secured and will cut back certain administrative outlays, leading to a reduction in budget expenses of US$0.7 million during FY20 (Chart 5).

- **Second,** the Center will suspend most regional seminars and regional experts will deliver customized training within their budget ceiling to support achievement of the reduced set of milestones. This action would reduce budget expenses by US$0.9 million.

- **Third,** the Center will markedly narrow the use of short-term experts and HQ-led mission to only specialized technical assistance. This action would reduce budget expenses by US$2.7 million, including outlays in backstopping and project management.

Chart 5. CAPTAC-DR: Contingency Budget for FY20
(In millions of U.S. dollars)



Source: CAPTAC-DR staff.

In sum, under current available funding, the Center will operate with six regional advisors to deliver high priority assistance and customized training agreed with member countries. As more funding becomes available, short-term experts will first be activated, followed by regional seminars, and lastly the advisor for central bank operations will be incorporated (see Appendix 2).

31. **Effectiveness of CD assistance.** Guided by the 2018 CD Strategy Review, the Center will make further strides during FY20 to improve the effectiveness of its assistance. CAPTAC-DR will continue to strengthen prioritization and monitoring through the RBM system; tailor CD delivery to facilitate implementation of TA advice; and deepen the sharing of CD information. Also, the Center intends to implement some of the recommendations from the external evaluation, particularly regarding a more targeted scope for public financial management, consolidating the communication strategy, and entrenching the application of the RBM system.[4]

B. Tax Administration

32. **Member countries are expected to strengthen the capacity on tax administration in the first year of Phase III.** The effort will center on tax control processes, risk analysis, and managerial capacity to foster voluntary tax compliance. Expected outcomes include:

- **Core functions.** Countries are expected to advance in several fronts, through actions to: (i) update the taxpayer registry with reliable data to fortify actions of control (El Salvador, Panama, the Dominican Republic); (ii) ensure a timely filing of tax returns and strengthen control over taxpayers based on cross-checking data (Costa Rica, Honduras and Panama);

[4] See the proposed action plan in response to the external evaluation described in the Program Document for Phase III, Annex I (https://www.captac-dr.org/content/captacdr/es/Publicaciones.html).

and (iii) improve the coverage of audits as a tool of control through the use of third-party information and the automatization of cross-checking of taxpayer information.

- **Risk management.** Tax administrations plan to build capacities to assess and mitigate risks on tax collection. They need to improve strategies for tax compliance through stronger risk management. Thus, the region will strengthen compliance through risk management.

- **Managerial capacity.** The areas of tax and customs administrations will work jointly to deliver the program of management capacity development and will also integrate regional training on risk management. The goal is to achieve synergies and encourage greater collaboration between the tax and customs officers in the implementation of strategies to improve tax compliance. The regional training will be carried out jointly with other CD providers, including the CIAT, IADB, IFS, and WCO.

C. Customs Administration

33. **The Center's assistance will focus on enhancing core functions, managerial capacity, and governance in customs during the first year of Phase III.** Priorities will be guided by the WTO trade facilitation agreement, the strategy on integrated risk management, and the customs union in three countries. The Center will support actions for increased transparency in customs and improved gender balance in the organizational structure to enhance ethics standards. Next year's milestones will relate to the following projects:

- **Regional projects.** In line with the strategy on integrated risk management, the Center will assess information management practices on customs, with emphasis on the quality of primary data and IT systems. The assessment will provide the steps to upgrade capacity on risk analysis and information exchange across the region.

- **Core functions.** The goal is to close the gap with the standards of the WTO agreement. To this end, the region plans to: (i) enhance inter-agency collaboration to ease clearance time and improve cargo controls (Costa Rica); (ii) upgrade control over trade operators through a unified taxpayer's registry for the tax and customs administrations (Costa Rica, Honduras); (iii) introduce an electronic control on the transit of cargo and a current account to control special cargo regimes (Guatemala); and (iv) develop a national strategy for trade facilitation to improve customs logistics and management (Panama).

- **Risk management.** Countries will apply the segmentation of traders developed by the Center to improve cargo inspection and clearance (Nicaragua, Panama) and introduce new procedures for post-clearance auditing to mitigate risk of fraud on sensitive cargo (El Salvador, Guatemala, Nicaragua and the Dominican Republic). Other countries will develop risk management to mitigate fraud and contraband (Costa Rica) and broaden a program of integrated cargo control within the national airport (El Salvador).

- **Managerial capacity and governance.** As noted above, the Center will conduct a program of management capacity development and training on risk management for tax and customs officers. The latter will be organized with USAID and will include pilot training for customs officials on coordinated border management. Moreover, the Dominican Republic will conclude the implementation of an automatized dashboard to monitor performance indicators on strategic planning and operational processes.

D. Public Finance Management

34. **The proposed technical assistance prioritizes actions that enable greater efficiency in the use of resources and improved fiscal transparency.** The expected outcomes follow:

- **Treasury management.** Treasuries will adopt guidelines to expediate payments, reduce discretion, and provide ministries with more flexibility to manage their resources through the TSA (Guatemala, Panama). They will set up an investment strategy for temporary cash surpluses in the TSA (Dominican Republic) and make greater use of electronic payments (Nicaragua). CAPTAC-DR will also provide training in modernizing treasury management.

- **Fiscal framework.** Countries will improve the medium-term fiscal framework (Costa Rica, Guatemala, Panama) by assessing the impact of macroeconomic conditions on the public finances. Honduras will strengthen the macro-fiscal framework with a new methodology to project key macro variables. The results will inform the multi-year budget. The Center will help bring a more explicit gender approach through the application of programmatic methodologies in the budget.

- **Fiscal transparency.** As for risk analysis, countries will assess and disclose a broader set of fiscal risks in the annual reports (Costa Rica, Guatemala, Panama, the Dominican Republic) or prepare an annual report for the first time (Nicaragua). As for reporting, countries will prepare consolidated financial statement for the public sector (Guatemala, the Dominican Republic) and build technical skills to assess the value of public financial assets. El Salvador plans to adapt its accounting system to the new financial management information system.

E. Financial Supervision

35. **Countries will continue bolstering financial supervision and regulation to underpin financial stability**. Projects will focus on strengthening risk-based supervision on consolidated and cross-border basis, further updating regulations on financial risks, and improving supervision of the insurance sector. Expected outcomes for this year include:

- **Regional projects**. The CCSBSO plans to build capacity to monitor the capital adequacy of banking groups on a consolidated and cross-border basis. The CCSBSO will draft regional guidelines on international reporting standards for financial instruments (IFRS 9) to develop a common accounting language.

- **Regulatory framework**. In the banking sector, countries plan to: (i) update regulations on credit risk management and loan-loss provisioning (Nicaragua); and (ii) improve the assessment of default probability on credit loans (Honduras). In the insurance sector, countries will upgrade regulations on technical reserves (El Salvador), and prepare new legislation on insurance sector and enhance accounting standards (Guatemala).

- **Basel standards**. The plan is to adopt a liquidity coverage ratio (Guatemala, the Dominican Republic), require banks to self-assess capital adequacy (El Salvador), and refine the methodology to evaluate the interconnexion among financial institutions (Honduras).

- **Supervision**. Countries seek to build capacity to monitor risks in the banking and non-banking sectors, including money laundering risks. Building on previous TA projects, efforts will center on creating new tools for surveillance and reporting as well as developing stress-testing for supervision of liquidity risk (Costa Rica). Countries will enhance on-and off-site surveillance of solvency indicators (Panama); and update supervision of information technology risks (the Dominican Republic). Other countries plan to conduct a diagnostic to introduce risk-based supervision in the insurance sector (Nicaragua, Panama).

F. National Account Statistics

36. **Most countries will continue to update the base year of the national accounts to obtain a more accurate representation of the structure of the economy.** The *2008 SNA* will continue to guide the strengthening of the real sector statistics and initial steps will be taken to measure gender and inequality gaps. Milestones will focus on the following projects:

- **National accounts.** Countries plan to update supply-and-use table as well as the compilation of the annual GDP under the production, expenditure, and income approaches (Costa Rica, Honduras, Panama). They will also improve basic data through better business directories and economic surveys. Countries are expected to conclude their rebasing projects over the next two years (Text Table). In the process, El Salvador will be encouraged to update the national accounts currently based in the year 2005. The Center will provide regional training on *2008 SNA* standards and analysis of high-frequency indicators to facilitate progress.

Updating national accounts

Country	Actual base year	Targeted base year
Costa Rica	2012	2017
El Salvador	2005	2005
Guatemala	2001	2013
Honduras	2000	2016
Nicaragua	2006	2018
Panama	2007	2018
The Dominican Republic	2007	2018

Source: CAPTAC-DR.

- **Institutional sectors.** Countries will improve the compilation of statistics for the households and non-financial corporations (Costa Rica, El Salvador, Honduras) and the accuracy of the measurement of the government and financial sectors. They will also enhance the statistics for foreign direct investment (Honduras, Nicaragua).

- **Price indices.** Countries will rebase several of the prices indices, mainly consumer, producer, and export-import prices, consistent with the new base year of the national accounts. This will require updating the weights and baskets of goods of those indices (Guatemala, Honduras, Nicaragua, the Dominican Republic).

G. Government Finance Statistics

37. **Countries will strengthen statistics to enhance regional analysis and policy making.** Guided by the regional harmonization strategy, they will address quality gaps in monthly and quarterly government finance statistics and broaden the institutional coverage of debt statistics, securing consistency with other macroeconomic statistics. The expected outcomes include:

- **Regional projects.** The regional working group intends to publish a first set of harmonized statistics by September 2019, comprising annual and high frequency government and debt statistics. Countries are expected to submit a full set of data by June 2019 for review and publication by the regional working group through a new regional platform.

- **Government statistics.** This project will help member countries (i) compile systematically monthly and quarterly statistics for the central government that could be published in the IMF International Financial Statistics (IFS), and (ii) broaden institutional and transactional coverage of annual statistics to partially include stocks, with a view of initiating a regional transition to a stock-flow approach.

- **Debt statistics.** This project will help improve the reporting of statistics, including to the World Bank-IMF database. It includes actions to overcome institutional coverage limitations and data gaps; improve valuation processes; enhance the accuracy between the compilation of stocks and flows; and ensure consistency in the classification of domestic and external debt, including proper collection of other accounts payable. The Center will provide customized training to Nicaragua and other countries as needed.

PROPOSED TRAINING AND OUTREACH

38. **Consistent with the Program Document, training will seek to attain and sustain desired outcomes in FY20.** Like in FY19, the Center will encourage participation of high-level authorities and external partners in regional seminars to enhance visibility and collaboration. Outreach will focus on enhancing stakeholders' support to the strategy of capacity building in the region and disseminating success stories on capacity development. Assuming an adequate level of financing, the Center plans to deliver 14 regional seminars in FY20 (see Table 9).

- **Scope**. Training will aim to enhance the technical skills of officials and facilitate the adoption of TA advice. In public finances, regional training will focus on managerial development and risk management for tax and customs administration, and treasury management. In the financial sector, the priority will be on financial inclusion, banking supervision, and central bank accounting. In statistic, the emphasis will be on the rebasing of national accounts, short-term indicators, and the use of fiscal statistics for policy analysis.

- **Collaboration**. Country authorities and external partners will be invited to participate in regional and bilateral training to address participants on the importance of sustainable institutional development and the relevance of disseminating knowledge to peers in their home agencies. The Center will continue to seek cost-sharing arrangements with other CD providers to the region, as done during the previous Phase. As note earlier, the Center will intensify the dissemination of TA reports to other CD providers with a legitimate interest in the region to facilitate coordination and address more effectively the capacity building needs of member countries.

- **Outreach.** The focus will be on raising awareness of the activities of the Center and sharing information on capacity building with the large audience that follows the Center, through social media and the quarterly newsletters, while leveraging the Center´s webpage (Box 2).

Box 1. Preparation of Phase III

The preparation of Phase III has been a collaborative effort of member countries, external partners, and the IMF. Most building blocks have been concluded, but additional efforts are needed to raise the targeted contributions and deliver the desired level of CD to the region during the next 5 years.

CAPTAC-DR began this process in October 2017, or 1½ years prior to the end of the current phase. Key steps taken so far include:

- **Strategy Note.** IMF Management approved a broad outline of the CD strategy for the new 5-year phase in December 2017, drawing on members' needs and the IMF agenda for the region. The note was enriched through intense consultation with member countries and external partners and became the basis for the Program Document of Phase III.
- **Results-Based Management.** The Center concluded the migration to the RBM system in January 2018. This IMF initiative has greatly enhanced the focus on capacity building results of CD interventions. The Center now delivers all multi-year projects through logframes that integrate outcomes and indicators based on IMF standardized catalogs.
- **External Evaluation.** The evaluator delivered an overwhelming positive assessment of the Center's operations to the Steering Committee in April 2018. The Center has developed a plan to implement the evaluators' advice during Phase III. The evaluator assessed CD operations based on relevance, impact, efficiency, effectiveness, and sustainability. The evaluator´s report is on: https://www.captacdr.org/content/captacdr/es/Publicaciones.html.
- **Program Document (PD)**. After extensive consultations with key stakeholders, the PD was issued in May 2018. The PD describes the priorities in capacity building of member countries for the next 5 years (FY20-FY24) and its costing (estimated at US$40 million in contributions); it is the basis for the fundraising process.
- **Fundraising.** The goal is to broaden the partnership base of the Center, with partners that share similar CD objectives for the region. The process was kicked off with a planning meeting between regional authorities and external partners in Honduras in July 2018. Regional authorities then invited new potential partners, while country authorities and IMF staff have conducted discussions with those potential partners, making presentation on the success cases and CD priorities for the next 5-year cycle.

Box 2. Proposed Plan on Communications and Visibility for FY20

Objective. Disseminate key achievements to a broad audience and raise the visibility of external partners. The action plan envisages activities supported in the past by the Steering Committee. It comprises the following four elements:

Partners

- Brief partners regularly on work plan and milestone progress, challenges facing countries, and key advice on capacity development for policy making; include interviews with partners in our quarterly newsletter and leverage on their communications policies;
- Share strategic objectives with other providers to coordinate delivery of projects and training to upgrade institutional skills and enhance sustainability.

Member countries

- Review progress and interventions with regional councils and countries to attain the objectives of the work plan; emphasize importance of dissemination of TA information;
- Discuss ways to better integrate technical assistance and training, as well as capacity development and IMF surveillance, and improve effectiveness of intervention.

Seminars

- Communicate objectives of specific training events and integration with technical assistance projects; have high-level country authorities and parthers to convey expectations of capacity building;
- Emphasize how training helps upgrade officials' skills on policy making, facilitates adoption of the Center's advice, and supports sustainability of capacity development.

Social media

- Broaden the non-specialized audience through blogs, twitter news, and other user-friendly material;
- Take advantage of the website to showcase success cases and coordination with develpment partners.

Figure 1. CAPTAC-DR: Resource Allocation by Area during FY19

(In expert-weeks; estimated as of end-April 2019)

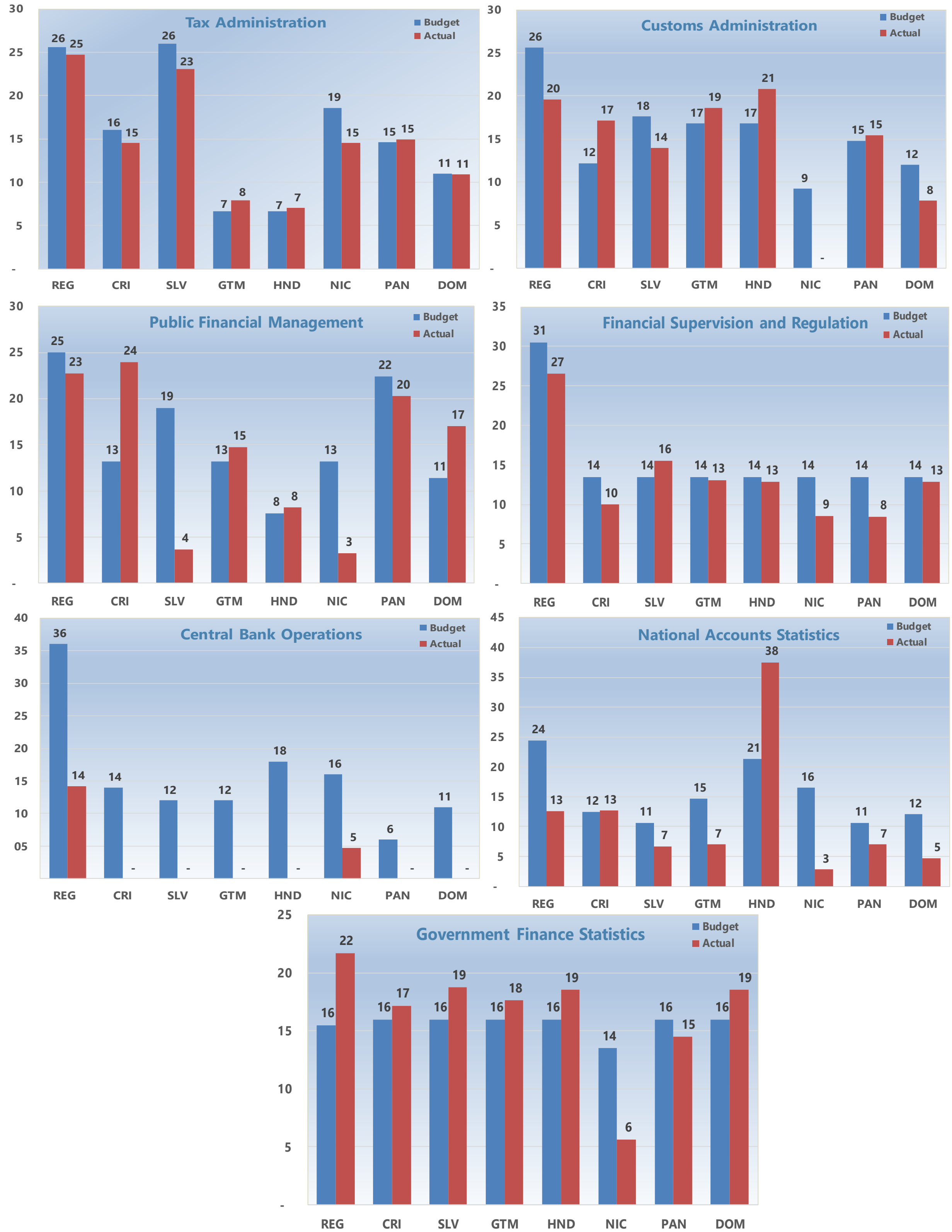


Table 1. CAPTAC-DR: Progress Achieved in Milestones during FY19
(Estimated as of end-April 2019)

By Area	Number of milestones	Fully met (4)	Largely met (3, <4)	Partially met (>1, <3)	Not met (1)	Percent of fully-and largely-met milestones in total
			I. By area			
Public Finances	**77**	**47**	**25**	**2**	**3**	**94**
Tax Administration	24	18	6	--	--	100
Customs Administration	32	15	12	2	3	84
Public Financial Management	21	14	7	--	--	100
Financial Sector	**65**	**23**	**17**	**1**	**24**	**62**
Financial Supervision	33	17	16	--	--	100
Central Bank Operations	32	6	1	1	24	22
Macroeconomics Statistics	**61**	**27**	**16**	**14**	**4**	**70**
National Accounts	19	18	1	--	--	100
Government Finance	42	9	15	14	4	57
			II. By country			
Regional Projects	38	33	1	4	--	89
Costa Rica	21	10	8	--	3	86
El Salvador	27	8	12	3	4	74
Guatemala	23	11	4	4	4	65
Honduras	27	10	13	--	4	85
Nicaragua	23	8	6	--	9	61
Panama	20	8	5	6	1	65
Dominican Republic	24	9	9	--	6	75
Total	**203**	**97**	**58**	**17**	**31**	**76**

Source: CAPTAC-DR.

Table 2. CAPTAC-DR: Budget Execution during FY19 and Phase II

(In thousands of U.S. Dollars)

Project/ Activity	Phase II			FY2019			Phase II Extension [3]
	Revised Working Budget [1]	Estimated Outturn [2]	Execution (Percent)	Approved Budget	Estimated Outturn [2]	Execution (Percent)	
Tax Administration	**4,095**	**3,964**	**97**	**970**	**839**	**86**	**135**
Long-term advisors	1,104	1,104	100	315	345	110	54
Short-term advisors and Fund missions	2,280	2,136	94	550	315	57	-
Seminars	371	371	100	45	115	256	65
Backstopping and management	340	354	104	60	64	107	16
Customs Administration	**4,390**	**4,304**	**98**	**972**	**886**	**91**	**121**
Long-term advisors	1,216	1,216	100	208	291	140	42
Short-term advisors and Fund missions	2,517	2,517	100	650	494	76	-
Seminars	271	202	75	45	38	85	65
Backstopping and management	386	368	95	69	62	91	14
Public Financial Management	**4,572**	**4,408**	**96**	**1,173**	**1,009**	**86**	**165**
Long-term advisors	1,526	1,526	100	350	385	110	54
Short-term advisors and Fund missions	2,452	2,363	96	700	445	64	65
Seminars	314	311	99	45	142	317	30
Backstopping and management	280	207	74	78	37	47	16
Banking Supervision and Regulation[4]	**4,441**	**4,497**	**101**	**1,007**	**1,063**	**106**	**165**
Long-term advisors	1,634	1,634	100	290	359	124	54
Short-term advisors and Fund missions	2,116	2,183	103	620	468	76	65
Seminars	325	328	101	45	167	371	30
Backstopping and management	366	352	96	52	68	131	16
Central Bank Operations	**3,027**	**2,923**	**97**	**763**	**355**	**47**	**-**
Long-term advisors	1,114	1,053	95	290	170	59	-
Short-term advisors and Fund missions	1,449	1,417	98	380	93	24	-
Seminars	205	218	106	45	57	128	-
Backstopping and management	258	235	91	48	35	73	-
Real Sector Statistics	**4,834**	**4,666**	**97**	**685**	**726**	**106**	**106**
Long-term advisors	1,649	1,646	100	280	278	99	42
Short-term advisors and Fund missions	2,034	1,954	96	280	254	91	52
Seminars	633	555	88	45	131	292	12
Backstopping and management	517	511	99	80	64	80	-
Government Finance Statistics	**1,116**	**996**	**89**	**689**	**569**	**83**	**137**
Long-term advisors	498	498	100	290	290	100	43
Short-term advisors and Fund missions	222	155	70	280	142	51	52
Seminars	287	269	93	45	96	214	30
Backstopping and management	108	74	69	74	41	55	12
Training by ICD	**972**	**968**	**100**	**55**	**226**	**411**	**-**
Admininistrative expenses	**983**	**836**	**85**	**233**	**231**	**99**	**22**
Trust fund management	**1,990**	**1,929**	**97**	**438**	**413**	**94**	**53**
Subtotal	**30,420**	**29,492**	**97**	**6,984**	**6,317**	**90**	**903**
IMF and host country in-kind	**3,225**	**3,077**	**95**	**680**	**595**	**88**	**85**
Grand Total	**33,644**	**32,569**	**97**	**7,664**	**6,913**	**90**	**988**
Memorandum item:							
Seminars and training	4,006	3,825	95	438	1,156	264	232

Source: Fund staff estimations.

[1] Based on Program Document and available pledges for Phase II.

[2] Estimated as of end-April, 2019.

[3] Period from May 1 to June 22, 2019.

[4] Includes missions of the IMF's Legal Department.

Table 3. CAPTAC-DR: Financial Pledges and Contributions to Phase II
(As of end-January 2019)

	Agreement		Contributions (In U.S. dollars)	
	Currency	Amount	Amount [1]	Received [2]
Partners			**27,350,737**	**26,643,348**
Canada	CAD	10,000,000	7,531,255	7,690,869
European Commission	EUR	7,000,000	9,663,170	9,392,159
Luxembourg	EUR	3,950,000	5,156,312	4,560,320
Mexico	USD	5,000,000	5,000,000	5,000,000
Members			**3,510,000**	**3,510,000**
Costa Rica	USD	510,000	510,000	510,000
Dominican Republic	USD	500,000	500,000	500,000
El Salvador	USD	500,000	500,000	500,000
Guatemala	USD	500,000	500,000	500,000
Honduras	USD	500,000	500,000	500,000
Nicaragua	USD	500,000	500,000	500,000
Panama	USD	500,000	500,000	500,000
Sub total			**30,860,737**	**30,153,348**
Interest earned	USD		**218,739**	**218,739**
Transfers from Phase I	USD		**15,453**	**15,453**
Canada	USD		4,506	4,506
European Commission	USD		6,133	6,133
Honduras	USD		229	229
Mexico	USD		4,585	4,585
Total			**31,094,929**	**30,387,540**

Source: IMF´s Institute for Capacity Development (ICD).

[1] Converted at the exchange rate prevailing at the date of signing the letter of understanding.

[2] Converted at the exchange rate prevailing at the date of receiving the contribution.

Table 4. CAPTAC-DR: Regional Training during FY19
(May 2018-April 2019)

Area	Topic	Collaborating Agency	Participants			Country, Date	Country[3], Institutions
			Number	Female Share[1]	Score[2]		
Tax Administration	Management development program	IFS, CIAT, IDB, GIZ, and IMF	25	52	4.9	Costa Rica, July	Region, Bolivia, Brasil,Cuba, Ecuador,Mexico, Paraguay, and Peru
	Use of information to improve tax collection	...	24	52	4.9	Panama, Dec	Region
Customs Administration	Post-clearance audit	WCO	7	29	...	Dominican Republic, May	Region
	Good practices on the application of technology to facilitate trade	USAID, Peru tax agency (SUNAT), WCO	30	30	4.9	Peru, June	Region, Peru
	Coordinated border management	USAID	9	56	...	Guatemala, March	El Salvador, Guatemala, and Honduras
Public Financial Management	Treasury Management I (group A and B)	. . .	31	45	4.9	Guatemala, June	Region
	Treasury Management II (group A and B)	. . .	29	45	5.0	Guatemala, Aug	Region
Financial Supervision and Regulation	New basic Basel Principles	IMF	32	53	4.8	Guatemala, May	Region
	Corporate governance	...	33	52	4.9	Guatemala, Nov	Region
	Cyber Risk	IMF	28	52	4.9	Panama, April	Region
Central Bank Operations	Financial sector surveillance	IMF	30	47	4.7	Costa Rica, May	Region
	Macroeconomic analysis and projection	CAMC	10	...	...	Costa Rica, July	Region
	Evolving monetary frameworks	IMF	20	85	4.8	Guatemala, Oct	Region
National Accounts	Inclusive growth	IMF, CEMLA	37	43	4.8	Mexico, Sept	Region, Curazao, and Mexico
	Accumulation accounts and sectoral balances	...	21	45	4.8	Dominican Republic, Nov	Region
	Price Index	...	25	46	4.8	Guatemala, Feb	Region
	Data sources	CEMLA	25	46	4.8	Mexico, March	Region
Government Finance Statistics	Strengthening statistics for fiscal analysis	...	30	47	4.8	Costa Rica, Aug	Region
	Consolidating financial statements in the public sector (together with PFM)	CEMLA	28	39	4.9	Mexico, Sept	Region, Mexico
	Harmonization of the public finance and debt statistics	...	25	42	4.7	El Salvador, March	Region
	Fiscal policy analysis	IMF	35	50	4.9	Washington D.C., April	Region
Number of trainned officials	. . .	. . .	534	50	4.8	. . .	. . .

Source: CAPTAC-DR.
[1]In percent of total participants.
[2]Rating assessed by participants; scale of 1 (lowest) to 5 (highest).
[3]Region comprises Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, and the Dominican Republic.

Table 5. CAPTAC-DR: Customized Training during FY19

(May 2018-April 2019)

Area	Topic	Collaborating Agency	Participants Number	Date	Country, Institutions
Customs Administration	Post-clearance audit and customs valuation	Customs agency (DARA)	73	Nov	Honduras
	Results-based management	Customs agency (DGA)	28	Nov	Dominican Republic
	Strategic planning	Customs agency (DGA)	27	Dec	Costa Rica
	Post-clearance audit and customs valuation	Customs agency (DGA)	72	Feb	El Salvador
	Post-clearance audit and customs valuation	Customs agency (SAT)	40	April	Guatemala
Public Financial Management	Gender budgeting	European Union	20	March	Honduras
National Income Accounts	National income accounts	Central Bank	33	Aug	El Salvador
	Base-year update	Central Bank	35	Sept	Honduras
Government Finance Statistics	Quality of public debt data	Finance Secretary	47	July	Honduras
	Public sector debt statistics	Ministry of Finance and Cental Bank	33	Sept	Dominican Republic
	Public sector debt statistics	Ministry of Finance and Central Bank	35	Oct	Costa Rica
	Public sector debt statistics	Finance Secretary	30	Jan	Honduras
	Public sector debt statistics	Ministry of Finance and Central Bank	30	Feb	Guatemala
	Public sector debt statistics	Ministry of Finance and Central Bank	30	April	El Salvador
Number of trainned officials	. . .	. . .	533	. . .	. . .

Source: CAPTAC-DR.

Table 6. Consultation with External Partners during FY19
(May 2018 - April 2019)

Partner	Area [1]	Subject	Date	Country
Canada	CAPTAC-DR	Participation in meeting with country authorities	July	Honduras
European Union	AAA/AAT	Meeting with delegates	May	Guatemala
	CC	Meeting with delegates	May	Honduras
	SBF	Participation in regional seminar	May	Guatemala
	CAPTAC-DR	Participation in meeting with country authorities	July	Honduras
	GFS	Participation in regional seminar	Aug	Costa Rica
	AAT	Meeting with delegates	Sept	Honduras
	SCN	Participation in regional seminar	Sept	Mexico
	GFS	Participation in regional seminar	Sept	Mexico
	OMX	Participation in regional seminar	Oct	Guatemala
	SBF	Meeting with delegate	Oct	El Salvador
	AAA	Meeting with delegate	Oct	Honduras
	SBF	Participation in regional seminar	Nov	Guatemala
	AAT	Meeting with delegate	Nov	Costa Rica
	SCN	Participation in regional seminar	Nov	The Dominican Republic
	SBF	Meeting with delegate	Nov	Nicaragua
	AAT	Meeting with delegate	Nov	Nicaragua
	CC	Meeting with delegates	Nov	The Dominican Republic
	SCN	Meeting with delegate	Dec	Nicaragua
	SBF	Meeting with delegate	Feb	Nicaragua
	GFS	Participation in customized training	Feb	Guatemala
Mexico	GFS/PFM	Participation in regional seminar	Sept	Mexico
	CC	Meeting with delegates	Sept	Mexico
Luxembourg	SCN/GFS	Meeting with delegate	Dec	Nicaragua
Other CD providers:				
Colombia	CC	Meeting with Ambassador	July	Honduras
	CC	Meeting with Finance Minister	Aug	Colombia
Germany	CAPTAC-DR	Participation in regional meeting	July	Honduras
	CC	Meeting with Ambassador	July	Honduras
Spain	CC	Meeting with Ambassador	July	Honduras

Source: CAPTAC-DR Staff.

[1]Acronyms are as follows: Center coordinator (CC); tax administration (AAT); customs administration (AAA); public financial management (PFM); financial supervision (SBF); central bank operations (OMX); national accounts statistics (SCN); and government finance statistics (GFS).

Table 7. CAPTAC-DR: Financial Pledges and Contributions to Phase III

(As of end-March 2019)

	Agreement		Contributions (In U.S. dollars)		
	Currency	Amount	Amount[1]	Received[2]	Balance
Partners			**2,260,000**	**456,500**	**1,803,500**
Luxembourg	EUR	2,000,000	2,260,000	456,500	1,803,500
Members			**9,500,000**	**400,000**	**9,100,000**
Costa Rica	USD	1,500,000	1,500,000	-	1,500,000
Dominican Republic[3]	USD	1,500,000	1,500,000	-	1,500,000
El Salvador	USD	1,500,000	1,500,000	-	1,500,000
Guatemala	USD	1,500,000	1,500,000	300,000	1,200,000
Honduras	USD	1,500,000	1,500,000	-	1,500,000
Nicaragua	USD	500,000	500,000	100,000	400,000
Panama	USD	1,500,000	1,500,000	-	1,500,000
Total			**11,760,000**	**856,500**	**11,403,500**

Source: IMF´s Institute for Capacity Development (ICD).

[1] Converted at the exchange rate prevailing at the date of signing the letter of understanding.

[2] Converted at the exchange rate prevailing at the date of receiving the contribution.

[3] Letter of understanding is under preparation.

Table 8. CAPTAC-DR: Proposed Budget for Fiscal Year 2020

(In thousands of U.S. Dollars)

Project/Activity	Program Document Budget	FY20 Budget		FY21 Indicative	FY22 Indicative
		Proposed	Contingency[1]		
Tax Administration	**5,046**	**936**	**461**	**960**	**985**
Long-term advisors	2,036	384	384	395	407
Short-term advisors and Fund missions	2,042	363	24	374	385
Seminars	467	88	-	91	93
Backstopping and management[2]	500	100	53	100	100
Customs Administration	**5,046**	**936**	**511**	**960**	**985**
Long-term advisors	2,036	384	384	395	407
Short-term advisors and Fund missions	2,042	363	24	374	385
Seminars	467	88	50	91	93
Backstopping and management[2]	500	100	53	100	100
Public Financial Management	**5,335**	**1,058**	**480**	**1,085**	**1,113**
Long-term advisors	1,888	356	356	367	377
Short-term advisors and Fund missions	1,944	367	24	378	388
Seminars	887	212	50	218	224
Backstopping and management[2]	616	123	49	123	123
Banking Supervision and Regulation[3]	**4,757**	**891**	**460**	**937**	**942**
Long-term advisors	1,794	339	339	348	358
Short-term advisors and Fund missions	1,556	294	24	302	311
Seminars	307	50	50	72	53
Backstopping and management[2]	578	109	47	112	116
Central Bank Operations	**4,235**	**792**	**-**	**835**	**838**
Long-term advisors	1,794	339	-	348	358
Short-term advisors and Fund missions	1,556	294	-	302	311
Seminars	307	50	-	72	53
Backstopping and management[2]	578	109	-	112	116
Real Sector Statistics	**5,095**	**1,008**	**402**	**963**	**1,071**
Long-term advisors	1,758	332	332	341	351
Short-term advisors and Fund missions	1,800	334	24	358	354
Seminars	837	210	-	128	222
Backstopping and management[2]	700	131	46	135	143
Government Finance Statistics	**4,096**	**754**	**469**	**800**	**823**
Long-term advisors	1,836	347	347	357	367
Short-term advisors and Fund missions	1,002	170	24	199	205
Seminars	761	144	50	148	152
Backstopping and management[2]	497	94	48	96	99
Training by ICD	**1,309**	**247**	**-**	**254**	**262**
Administrative expenses[4]	**1,663**	**281**	**281**	**288**	**594**
Contingency	**800**	**160**	**-**	**160**	**160**
Trust fund management	**2,617**	**494**	**215**	**507**	**544**
Subtotal	**40,000**	**7,556**	**3,280**	**7,749**	**8,317**
IMF and host country in-kind	**3,400**	**680**	**680**	**680**	**680**
Grand Total	**43,400**	**8,236**	**3,960**	**8,429**	**8,997**

Source: Fund staff estimations.

[1] Based on cash contributions as of end-February 2019. Ceiling on each work stream includes activities under extension of Phase II.

[2] Includes backstopping, project management, language services, security, and governance costs under CD departments.

[3] Includes IMF´s Legal Department missions.

[4] Comprises FIN and WHD project management, as well as local office operating costs.

Table 9. CAPTAC-DR: Proposed Training for FY20 [1]
(May 2019-April 2020)

Area	Topic	Proposed date	Venue	Participants
Tax Administration	Management development program (Second edition)	Oct, 2019	Guatemala	28
	Risk management	Nov, 2019	Mexico	28
Customs Administration	Management development program (together with AAT)	Oct, 2019	Guatemala	21
	Risk management (together with AAT)	Nov, 2019	Mexico	21
Public Financial Management	Modernizing treasury management	June, 2019	Dominican Republic	42
	Accounting and valuation of financial assets	Oct, 2019	Guatemala	30
Financial Supervision and Regulation	Financial Inclusion	June, 2019	El Salvador	32
	Supervision of bank credit portfolio	Aug, 2019	Panama	32
Central Bank Operations	CPSS-IOSCO Principles	Dec, 2019	Honduras	28
	TBD	Jan, 2020	Nicaragua	28
National Income Accounts	2008 System of National Accounts	June, 2019	Dominican Republic	28
	High frequency indicators	Sept, 2019	Costa Rica	28
Government Finance Statistics	Fiscal transparency and regional comparability	June, 2019	Mexico	30
	Fiscal data for policy analysis	March, 2020	Panama	30

Source: CAPTAC-DR.

[1] Delivery depends on availability of funds.

Annex 1. Improving Risk Management in Customs
(Success case of Customs Administration in Phase II)

CAPTAC-DR helped develop the first strategy on integrated risk management for the region. It entails a customs framework to conduct tactical and operational actions against fraud, security threats, and trade facilitation, in coordination with other governmental agencies.

A. Initial situation

At the outset of Phase II (July 2014), customs administrations across the region sought to build capacity to manage operating risks, with a view of fostering transparency and streamlining processes. A regional diagnostic conducted by CAPTAC-DR identified key shortcomings:

- Customs processes were largely outdated and lacked reliable controls for traceability, leading to unpredictability and corruption at borders. The legal framework lacked key powers and penalties that limited capacity to prevent and mitigate risks of fraud at borders;

- Customs controls were mostly applied at point of entry, generating long waiting lines of trucks at borders, while risk-based audits for effective inspection were absent, obstructing legitimate trade. Overall, customs controls were undermined by weak physical infrastructure, outdated information technology, low technical skills in human resources, and poor risk management, which inhibited the capacity to fight fraud and contraband; and

- Exchange of information and collaboration at national and regional levels were weak, not only within customs administrations, but also between customs and other government agencies.

The region joined the WTO Trade Facilitation Agreement in 2013, while Honduras, Guatemala, and El Salvador began to establish a customs union in 2017. These policies created opportunities for deeper regional integration and stronger competitiveness, through the removal of trade barriers. However, challenges arose regarding tax revenue risks, national security, and social protection, that resulted from threats of contraband and terrorism. These challenges called for the modernization of customs administrations and greater collaboration with other government agencies.

B. Progress achieved

Against this background, the Center assisted countries build capacity on risk management to mitigate fraud, while facilitating legal trade. Main achievements included:

Country level,

- Customs revised processes to improve traceability control, predictability, and transparency (Costa Rica, Honduras, Guatemala, and Panama). They began implementing a model of integrated cargo control in main ports to improve traceability of goods, resulting in stronger customs revenue and faster entry of goods (El Salvador, Honduras, and Guatemala);

- Countries elaborated a methodology for the segmentation of traders based on risk profiles, with the objective to enhance customs control at borders and improve post-clearance audits (Costa Rica, El Salvador, Honduras, Guatemala, and the Dominican Republic). Panama has already applied this methodology. Some countries began adopting a new post-clearance model focused on sensitive goods (El Salvador, Honduras, and the Dominican Republic);

- A few countries developed a strategy on risk management and collaboration with other agencies to combat fraud and contraband (Costa Rica and Panama); others conducted for the first time a coordinated operation over the transit of goods and identified fraud resulted in the arrest of private traders and customs officers (El Salvador and Guatemala); and

- Some countries installed technology (radio frequency identification) at borders and launched a pilot plan (covering 6,000 trucks) to improve traceability of goods and increase data register to facilitate trade and reduce operational risks including corruption and customs fraud (El Salvador, Honduras and Guatemala).

Regional level,

- The Center and the World Bank Group developed a gap analysis on the uniform customs code and its regulation (the so-called CAUCA and RECAUCA) against the WTO Trade Facilitation Agreement. The analysis now guides the modernization of the legal framework in the region;

- The Center elaborated a strategy for integrated risk management to mitigate common risks faced by the region. There was a strong collaboration from USAID, WCO, SIECA, as well as from experts of Argentina, Mexico, Uruguay, the United States, and the IADB. A regional working group, with risk managers from each country, was created to oversee the implementation of the risk management strategy. Since 2018, the strategy has provided the steps to build standardized risk management in the region over the medium-term, as follows:

    - **Traceability of goods.** The objective is to establish an end-to-end control over the movement of goods through the region, which would mitigate risks of fraud and contraband at the point of entry, during transit, and point of exit through each country;

    - **Risk analysis.** Allow the identification of low, medium, and high-level risks, and the elaboration of responses to foster customs compliance, in coordination with other customs posts and government agencies;

    - **Post-clearance audit.** Conduct effective audits to improve the assessment of risk and facilitate trade at the point of entry; and

    - **Collaboration.** Strengthen coordination among customs, government agencies, and the private sector to enhance capacity to prevent and mitigate operational risks associated with security, society protection, and tax revenue.

C. Next steps

During Phase III, member countries seek to strengthen core customs capacities to facilitate trade and reduce evasion, guided by regional initiatives on integrated risk management and regulations. The focus will be on the following strategic goals:

- Close operational gaps with the WTO agreement, improve the traceability of goods, modernize information technologies in the context of coordinated border management, and close opportunities for corruption and tax evasion; upgrade the customs legal framework, drawing on the gap analysis, update practices for customs management and trade operations;
- Introduce intelligent risk analysis based on better technology and quality of data for control prior to arrival of goods and at point of entry; shift to risk-based post-clearance audits to discontinue excessive controls at point of entry; and
- Improve coordination with the tax administration and engage in joint initiatives to mitigate risks to tax revenue, particularly those arising from the customs union.

Additional outcomes are planned, with the support of other CD providers:

- Reach so called "*Mutual Recognition Agreement of Authorized Economic Operators*" in at least three countries to greatly facilitate entry and exit of goods through signatory countries;
- Implement a regional IT platform for information exchange and collaboration to mitigate risks; intensify the use of technology to improve traceability of goods, lower physical intervention at borders, and record relevant data for risk management; and
- Undertake coordinated actions across the region to enhance control over the transit of goods, in close cooperation with other government agencies; mitigate risks at borders in application of a coordinated border management approach.

Annex 2. Modernizing Treasury Management in the Region
(Success case of Public Finance Management in Phase II)

The region made significant strides in modernizing the treasury management over the 5-year period of Phase II. There has been important efficiency and transparency gains in the use of budgetary funds for the central administration. Looking ahead, some countries need to broaden the coverage of the treasury single account (TSA), improve the treasury's payment systems and governance, while the most advanced countries should refine the management of assets and liabilities within the treasury.

A. Initial situation

At the outset of Phase II (July 2014), treasuries suffered from passive cash management and on occasions relied on payment delays to manage cash shortfalls. Key shortcoming included:

- The scope of the TSA was narrowed and lacked focus on financial and operational efficiency. Two countries had no adequate regulations on TSA operation, while the remaining countries failed to fully observe existing regulations;

- Payments were excessively centralized with the Treasurer, who oversaw the operating process, had no well-defined payment schedule nor policy, and relied on the usage of checks and petty cash. Costa Rica was the only country to use purchasing cards for certain payments; and

- Various public agencies collected nontax revenue, using ad-hoc procedures and individual bank accounts; Treasuries conducted their cash programming based on budget execution solely, and did not invest any temporary cash surplus.

CAPTAC-DR technical advice promoted the migration to a TSA, but recommendations were slowly adopted, as countries faced legal obstacles, inadequate financial management systems, and lack of collaboration from other central government agencies. More importantly, key stakeholders were not fully aware of the importance of the treasury's role in a modern public finance management framework. As a result, TA advice lacked traction to foster needed change, and TA recipients failed to reap the benefits of a strong treasury management for the overall public finances.

B. Actions for success

Against this backdrop, the Center refocused the delivery of technical assistance during Phase II. The goal was to raise the understanding of stakeholders on the benefits and implications of modernizing the treasury management. CD interventions became more focused and more adapted to the needs of the treasury to foster capacity building. Interventions then followed broad guidelines:

- Promote the model of treasury management already in place in Costa Rica (a success case in the region at the time), with further improvements based on best international practice;

- Deliver assistance and monitor progress on a more continued basis, while providing training to key treasury officers to facilitate implementation of TA advice; this required a shortening of mission duration while increasing its frequency to accompany countries more closely;

- Develop a baseline, define clear objectives, and monitor progress through agreed logframes. Strategic objectives focus on 4 outcomes and 20 recommended practices in treasury management, while progress is measured using a 4-level notification system inspired by the IMF fiscal transparency evaluation (FTE) framework;

- Strengthen the leading role of treasury on defining training objectives for institutional building; and raise the awareness of other agencies regarding their responsibilities—for instance, the role of the Comptroller and the Judiciary is key to foster compliance with regulations and promote the broadening of the TSA; and

- Encourage necessary changes in the organizational structure of treasuries to enable them to work as private banks in some key functions.

C. Progress achieved

This effort has yielded significant improvements in treasury management during the 5-year period of Phase II, although progress has been uneven in some areas across the region:

- Overall, all countries have put in place adequate legislation to support treasury management development and have introduced a conceptual model of TSA oriented towards financial and operational efficiency. They have also broadened the coverage of the TSA to include all central administration and decentralized institutions; and have developed training programs for officials serving in institutional treasuries;

- Some countries enhanced the efficiency on the usage of public funds. Namely, they now invest temporary cash surpluses from the TSA and have an active cash management policy (Panama, the Dominican Republic), use electronic transfers as the main means of payment (Honduras, the Dominican Republic), and have institutional purchase cards to perform some payments (Guatemala);

- Other countries improved the efficiency of treasury operations. Specifically, they upgraded the cash programming model, including for the institutions incorporated in the TSA (Guatemala, Panama, the Dominican Republic), and introduced a system for the collection of nontax revenue (the Dominican Republic) or are developing one (Guatemala, Honduras, Panama). They also developed a payment policy (the Dominican Republic) and provided participating institutions more flexibility to manage their funds through the TSA (Honduras, the Dominican Republic); and

- A few countries focused on improving the governance of the treasury. They enhanced the organizational structure to assume new responsibilities (Honduras, the Dominican Republic) and designed a business continuity plan (Costa Rica, Nicaragua).

D. Next steps

A key strategic objective for Phase III is to further improve public financial management in the region. This goal hinges upon the continued modernization of the treasuries and the region is well-positioned to move forward based on the following agenda:

- Move forward with the pending agenda of Phase II. Some countries need to broaden the coverage of the TSA to the general government (excluding local governments and public pension funds), enhance the financial and operational efficiency of the treasury, and improve its governance;

- Improve the technical capacity of officials through training in modern treasury management and ensure that this framework is disseminated and well-understood by treasuries and the rest of the general government;

- Clarify the definition of management autonomy at the central government level to differentiate the tasks that rightly fall under the purview of an institution (such as the ability to define own policies and manage its personnel) from the observance of common rules for an effective public financial management (such as disclosing information on assets and liabilities, reducing the usage of commercial bank accounts without approval or awareness of the treasury, and even participating in the TSA);

- Achieve a better dialogue between the Finance Ministry and the Central Bank (the cashier bank of the government) to formally establish interest earnings on deposits and fees for services provided in the context of TSA operations; and

- Consolidate active management of temporary cash surpluses and integrate the management of assets and liabilities within the treasury.

Annex 3. Rebasing the National Accounts in the Central American Region
(Success case of National Accounts Statistics in Phase II)

The region has been modernizing the real sector statistics to inform investment decisions and policy making better. At the core of this effort are recent projects to update the base year of the national accounts. Looking ahead, more capacity is needed to strengthen basic data, measure the informal sector, and ultimately, undertake benchmark revisions more independently.

A. Initial situation

The national account statistics in the region were markedly outdated. The time elapsed between 2018 and the base year of the gross domestic product (GDP) series averaged 14 years. In contrast, best standards (*2008 SNA*) recommend that the base year should be no older than 5-10 years. At the outset of Phase II (July 2014), countries faced the following shortcomings:

- Statistics lacked the quality to measure accurately the structure and activity in the economy, constraining its value for investment decisions and policy-making;

- Methodologies for volume were inaccurate and led to serious GDP bias; short-term indicators were mostly unavailable; and the informal sector was not measured, leading to an undervaluation of the GDP series; and

- The quality of statistics was also hindered by poor IT infrastructure, low-skilled human resources, and narrowed economic surveys.

B. Actions to success

The region set up the goal of improving the quality and accuracy of national account statistics. During Phase II, the priority was to gradually compile and disseminate statistics aligned with best standards. Countries began to prepare the ground to rebase the national accounts, including with steps to: (i) improve the collection of source data through adequate statistical techniques; (ii) upgrade methodologies to compile real sector statistics; and (ii) adopt modern techniques to measure the informal sector. Key strategic steps were taken to achieve this goal over time:

- **Action plans.** Countries identified gaps and remedial steps for the national accounts and price statistics. To focus on results, action plans were translated into RBM logframes to articulate an appropriate sequence of milestones and monitor implementation;

- **Regional training.** The Center delivered extensive training to help officials address gaps on statistics. Workshops focused on rebasing techniques, data sources, quarterly national accounts and prices, accumulation accounts and balance sheets. In addition to central bank officials, the national statistics offices, who oversaw economic surveys and price statistics mostly, participated in regional training for the first time;

- **Knowledge dissemination.** Countries shared new methodologies, experience, and templates as they moved along on the modernization of statistics. This effort helped address difficulties on the compilation of agricultural activity, the classification of industry, and the measurement of the value added on trade and transportation; and

- **Collaboration.** The Center collaborated closely with CEMLA, CMCA, ECLAC, and national statistical offices to leverage on available technical resources. This led to key benefits in terms of availability of specialized instructors, training installations at no cost for the Center, and dissemination of experience from countries with more advanced statistics.

C. Progress achieved

The region has made progress in improving the quality and accuracy of the real sector statistics. Over the last couple of years, most countries have embarked on the rebasing of the national accounts, following progress in compilation methodologies and source data. Relevant progress and areas of improvement can be summarized as follows:

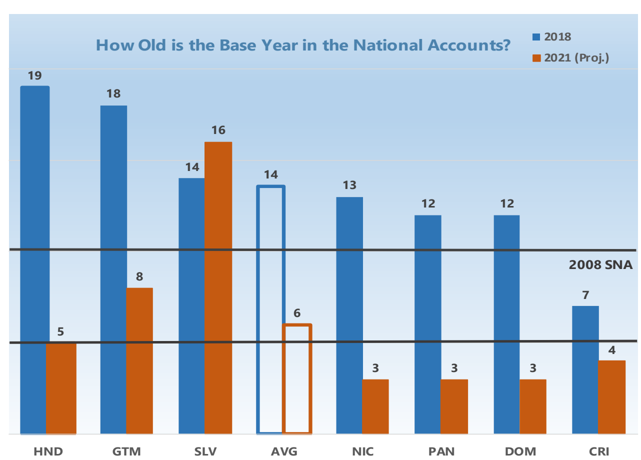
- Countries broadly observe *2008 SNA* standards, but need to improve methodologies of compilation in the financial sector, IT activities, and other emerging activities; and update IT systems to carry out recurrent compilations and rebasing projects more efficiently;

- Most countries utilize more adequate statistical techniques to collect basic data (Costa Rica, Guatemala, Honduras, Panama); the next step is to consolidate the capacity already built to attain self-sufficiency in sampling procedures and surveys; and

- Countries compile employment matrices to measure activity in the informal sector, but its incorporation into the national accounts is largely pending (El Salvador, Honduras, Nicaragua, Panama), creating a potential source of undervaluation in the GDP series.

D. Next steps

Countries are expected to conclude the rebasing of the national accounts statistics over the next two years, making the base year no older than 6 years on average (Text Chart). Guatemala will publish new national accounts this year (base year 2013), El Salvador is considering updating the current base year (2005), while the other five countries will have a newer base year (2016-18). The next steps focus on the following objectives:



Source: CAPTAC-DR.

- Conclude the pending agenda to improve compilation methodologies, economic surveys, and measurement of the informal sector;

- Consolidate capacity: (i) to select and revise the benchmark year, with the frequency advised by best standards; and (ii) to develop related work plans for base-year revisions, including budgeting of financial and human resources, and IT systems; and
- Collaborate with the CMCA to develop an agenda for the harmonization of the national accounts systems across the region. As initial step, consolidate capacity to rebase price indices and to lower dependency on CD assistance.

Annex 4. Harmonizing Government Statistics in the Region
(Success case of Government Financial Statistics in Phase II)

Countries have taken initial steps to fortify public sector statistics and developed a strategy for regional harmonization over the medium-term. The goal is to enhance fiscal analysis, country comparability, and the policy framework. Close collaboration between producing institutions of statistics and focus on public debt statistics are key for future success.

A. Initial situation

Countries strongly embraced the work stream in government finance statistics that was launched in August 2017. At the time, they required stronger statistics to enhance the fiscal policy framework, especially in the areas of transparency, programmatic budgeting, debt sustainability, regional comparability, and analysis, among others. The statistics faced important deficiencies related to ad-hoc national definitions and practices, partial coverage of the public sector, irregular publication, and compilation inconsistencies. Key shortcomings comprised:

- Member countries narrowly used the statistics to inform fiscal policy analysis, due to a limited quality of the statistics and/or shortage of technical skills among statisticians. There was a lack of coordination and limited sharing of primary data among the producers of statistics, such as the finance ministry, central bank, and the statistics office;

- Countries lacked an institutional definition of the public sector aligned with best practice, and utilized up to six different coverages of the public sector in compiling statistics, generating serious inconsistencies and inhibiting comparability across the region;

- The region generated public debt statistics that were highly inconsistent and did not follow international guidelines; particularly in the coverage of institutions and financial instrument, residence criteria, and valuation;

- Some countries (Guatemala, Honduras, Panama) did not disseminate statistics consistent with the *GFSM 2001, 2014* for the IMF's Government Finance Statistics Yearbook (GFSY); only one country (El Salvador) disseminated high frequency statistics, albeit partial, to the IMF; and

- Countries failed to fully harmonize government statistics with other sectoral statistics (real, monetary, and external sectors), generating quality gaps in macroeconomic statistics.

B. Actions for success

Supported by strong ownership of country authorities, the Center designed a CD program that could address needs at the country and regional levels. During the remaining of Phase II, the Center conducted key elements of this program, specifically:

At the country level,

- Carried out a regional seminar (September 2017) and country diagnostics to assess priorities. This effort revealed a similar development of statistics across the region, helped design well-sequenced and tailored action plans for countries, but found that bilateral progress could be uneven due to various degrees of country capacity and technical skills, particularly for the public debt statistics;

- Emphasized that improvements in statistics should have a clear contribution to fiscal policy analysis, while adhering to international standards (i.e., the *GFSM 2014, 2008 SNA*). Logframes were agreed with countries for each project to ensure the focus on capacity building results;

- Raised awareness on the need for close collaboration among producing institutions, and provided extensive customized training to facilitate progress in capacity building and the usage of statistics for policy analysis; and

- Focused on the implementation of initial milestones to improve: (i) the institutional definition for the coverage of the government statistics; (ii) the methodology of compilation of annual and quarterly data of the budgetary central government and preparation for publication; and (iii) the capacity to gradually address deficiencies in the compilation of public debt statistics.

At the regional level,

- Conducted extensive consultation with the regional councils (COSEFIN, CMCA) to outline the scope for regional harmonization and extent of collaboration among producing institutions. The Center then assisted in designing the strategy for regional harmonization of statistics and articulating a work plan for the period 2018-23, which were approved by the regional councils in November 2018; and

- Supported the creation of an interinstitutional working group (*Grupo Técnico de Estadísticas de Finanzas Publicas, GTEFP*) to lead the strategy on harmonization. The group comprises senior officials from all finance ministries and central banks in the region as well as the statistical office of Panama.

C. Progress achieved

Despite the short period of implementation, the region has delivered significant improvements in statistics, although there are indications of uneven progress across the region:

- Member countries have shifted to a single institutional table for the coverage of the public sector, consistent with best practice; Costa Rica and the Dominican Republic have formalized the use of the new institutional table as the guide for the future compilation of statistics;

- Countries now disseminate annual government statistics in the IMF's GFSY under the format of GFSM 2001 or 2014, with Panama disseminating for the first time and Honduras resuming dissemination. Countries are close to disseminating regularly monthly or quarterly budgetary central government data in line with GFSM 2014 (the Dominican Republic became the first country to publish in November 2018);

- Country officials have upgraded their technical skills through participation in CAPTAC-DR's training. Over 160 officials had benefited from regional training on government statistics, and nearly 200 officials across the region (but Nicaragua) have received customized training in public debt statistics. Nicaragua is scheduled to receive this training by August 2019; and

- The GTEFP set out milestones for the regional strategy in November 2018 and agreed on the publication of the central government statistics through a regional platform by September 2019. The group will follow up on progress during the next meeting in March 2019.

D. Next steps

The ambitious strategy of regional harmonization of statistics is expected to guide progress at the country level during the period of Phase III. Close collaboration among producing institutions of statistics, led by the finance ministers, is a key element for future success. There is a risk of uneven future progress across the region, as countries have different levels of capacity to generate the required enhancement in statistics, particularly in public debt. The region is expected to work on the following agenda for harmonization:

- With the support of the CMCA, COSEFIN plans to develop a platform for publication of fiscal statistics and comparative analysis for the region, produced by the GTEFP;

- Countries need to ensure full collaboration between the technical staffs of the finance ministries and central bank (the finance ministry and the statistical office in Panama) in the compilation of government and public debt statistics, focusing on the consistency of data and the broadening of institutional and transactional coverage;

- Countries need to move forward with the implementation of their action plans to support the regional harmonization agenda, particularly on the three agreed dimensions: annual and high frequency government statistics, and public debt;

- Under the proper coverage of institutions and transactions, countries are expected to disseminate the monthly operations of the nonfinancial public sector, with full conciliation between above and below the line. Moreover, they need to gradually move towards a stock-flow approach to the publication of fiscal statistics; and

- Countries need to gradually develop capacity to use the harmonized government and public debt statistics for fiscal policy and comparative regional analysis.

CAPTAC-DR

7A Avenida 22-01, Zona 1
Edificio Banco de Guatemala, Piso 15
Ciudad de Guatemala, Guatemala 01001
Tel: +(502) 2390.6020
E-mail: informacion@captac-dr.org
Website: www.captac-dr.org

INTERNATIONAL MONETARY FUND
Institute for Capacity Development
Global Partnerships Division

700 19th Street, NW
Washington, DC 20431 USA
Tel: +(1) 202.623.7636
E-mail : GlobalPartnerships@IMF.org