



# CAPTAC-DR



## 11TH ANNUAL MEETING OF CAPTAC STEERING COMMITTEE P. 01

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# 11th Annual Meeting of CAPTAC-DR Steering Committee

Alejandro Werner, Director of the IMF's Western Hemisphere Department led the opening of the 11th Annual Meeting of the Steering Committee held in Washington, D.C., on April 11. With broad representation of member country authorities, financial partners and IMF officials topics were discussed on (i) the results of capacity development (CD) during the FY 2019; (ii) the fundraising strategy and the impact of limited funding in the FY 20 work plan (the first year of Phase III), and (iii) the effectiveness of the CD program for the new phase.

The Committee recognized the visibility efforts and was pleased with the better consultation with partners in the region that improved reporting and coordination with the Center. Our financial partner, the European Union, emphasized that this interaction is relevant to its budget support operations and to monitor the progress of the Center. Members noted that interviews with authorities and partners in the Center's bulletin raised the visibility of CD goals and the challenges in the region. They urged countries to disseminate the TA reports, as this aligns donors with the CD objectives, reduces the duplication in the TA and disseminates the Center's advice.

Member countries thanked financial partners for their support, noting that progress was possible thanks to the financial backing CAPTAC-DR receives from its sponsors. The Committee commended the authorities of the Central American Customs Committee, the Central American Council of Ministers of Finance and the Central American Monetary Council for the presentation of success stories, and the experts of the Center for their support to capacity development of member countries. Both were pleased with the record number of trained officials and the gender equality observed in the activities and were satisfied with the participation of financial partners in training events, which promotes their visibility, and the collaboration of other agencies and countries as this supports the exchange of international experiences.



# PUBLIC FINANCE STATISTICS

In the February-April quarter of 2019, three technical assistance and training missions focused on public finance statistics and public sector debt were made to Guatemala, Panama, and El Salvador, and the second regional meeting of the Working Group of Public Finance Statistics (GTEFP) was held. The project for the harmonization of public finance statistics was presented to the CAPTAC-DR Steering Committee as a regional success case. Also, a course on tax policy analysis was offered to 36 officials, with the support of the IMF's Institute for Capacity Development (ICD), within the framework of the regional statistical development.

## REGIONAL HARMONIZATION PROCESS OF PUBLIC FINANCE STATISTICS

During this quarter, there were substantial advances in the efforts to build the regional fiscal statistics harmonization process. The second meeting of the Public Finance Statistics Working group (GTEFP) took place in San Salvador, El Salvador, on March 4-5, with the participation of representatives of the 14 institutions involved, including the ministries of finance, central banks and the National Institute of Statistics and Census of Panama.







The GTEFP was established as specialized technical support in the government finance statistics (GFS) and public sector debt statistics (PSDS) for the regional harmonization process. It has the support of the Council of Ministers of Finance of Central America, Panama, and the Dominican Republic and the Central American Monetary Council. At that meeting, they agreed on the standard formats for presenting the first harmonized data to be published and decided that the first date of publication will be December 2019. In June 2019, countries must send to CMCA, COSEFIN, and CAPTAC-DR the first tables that are going to be published for the relevant validation processes.

In recognition of this work, the process of regional harmonization of fiscal statistics was recognized as a successful case in the region and presented at the 11th Ordinary Meeting of the Steering Committee of CAPTAC-DR, which took place on April 10, 2019 at the headquarters of the International Monetary Fund (IMF) in Washington, D.C. These essential achievements in such a short time (18 months of the area in the Center) stood out and received the support of the authorities.

CAPTAC-DR's fiscal statistics area proactively continues to support this work, which is of great importance for regional integration. Among the final objectives of that work, which is proposed until 2023, is to provide better information to regional authorities for decision-making at a social, political and economic development; allow the comparability of data and reports, facilitating discussion and regional economic development; support the analysis of the fiscal situation of developing countries under similar conditions; and allow the design of studies to assess the performance of governments and the long-term sustainability of public finances.



# MISSIONS OF TECHNICAL ASSISTANCE AND MONITORING OF THE WORK ON PUBLIC SECTOR DEBT STATISTICS

Technical assistance missions carried out in this quarter included Guatemala, Panama, and El Salvador. The assistance to these three countries followed the training cycle focused on public sector debt statistics, especially their consistency and other statistical systems, such as the external accounts and national accounts, and the consistency of data generated by central banks and the ministries of finance. Also, they focused on the production of (monthly or quarterly) high-frequency data and specific needs of each country. In all three countries, 90 officials were trained.



## COURSE ON FISCAL POLICY ANALYSIS WITHIN THE FRAMEWORK OF THE FISCAL STATISTICS REGIONAL HARMONIZATION

With the support of the IMF's Institute for Capacity Development (ICD), a course on tax policy analysis was held on April 22-26, for 36 authorities of member countries in Washington D.C., within the framework of the development of fiscal statistics in the region. The objective of the course was to train the compilers and generators of government finance and public sector debt statistics to strengthen the production of regional data and provide data in line with the analytical needs of decision makers.

Depending on the funding available for Phase III, CAPTAC-DR is expected to continue providing high-quality technical assistance and training with the support of institutions such as CEMLA (workshop conducted in cooperation with the area of public financial management in September 2018) and ICD, among others.





# TECHNICAL ASSISTANCE MISSIONS AND REGIONAL PROGRESS EXPECTED FOR THE NEXT QUARTER

Three technical assistance missions to the Dominican Republic, Costa Rica, and Nicaragua were proposed for the quarter, between May and July 2019. The mission to Nicaragua will complete the cycle of training focused on public sector debt statistics in the region, following up on work plans to improve debt indicators. The missions to the Dominican Republic and Costa Rica will focus on improving the publication and dissemination of monthly and quarterly fiscal data, as well as processes for consolidating statistics.

Besides, it is planned to continue advancing in the regional process of statistical harmonization within the framework of the Public Finance Statistics Working Group (GTEFP). If necessary, there will be a remote meeting on June 13, and the third GTEFP meeting is being prepared for the first week of September, in the Dominican Republic. This meeting is key to the first publication of harmonized fiscal data of the region.

## FRIENDLY SOCCER MATCH

A soccer match took place in Club Guatebanco, on February 7, to celebrate the sound relationship between CAPTAC-DR and Banguat. The event was attended by bank officials, CAPTAC-DR coordinator, two resident experts, and two short-term consultants, as well as other guests.

CAPTAC-DR was very honored with the initiative. At the end of the event, a commemorative plaque was received to mark the date.







# FINANCIAL SUPERVISION

## Knowledge and skill-sharing on capacity building and best practices on financial sector regulation and supervision

CAPTAC-DR's resident expert on financial supervision, Jose Roberto Effio, participated in the Fifth Annual Long-Term Expert Workshop at the IMF headquarters in Washington DC, on February 11-15, 2019. Nearly 40 experts from the IMF financial sector stationed all over the world participated in the five-day annual workshop, where they discussed and shared capacity-building experiences and best practices. As part of the Fund's global network, experts from the financial sector in regional technical assistance centers (RTAC), as CAPTAC-DR, coordinate much of IMF's capacity-building activities. Therefore, financial experts adapt technical assistance and training to the priorities of member countries and respond quickly to emerging needs. Our resident expert represented CAPTAC-DR as a speaker and shared his experiences and challenges in developing a RTAC work program, and as a panelist in an open discussion on the role of experts in IMF projects in the review of financial sector stability.





CAPTAC-DR and the IMF Monetary and Capital Markets Department, in collaboration with the Panamanian Banking Superintendency (SBP), organized and delivered a four-day regional workshop on Regulatory and Supervisory Approaches to Managing Cyber Risks in the Financial System. Its main objective was to bolster banking supervisors' capacities to develop better quality regulation and supervision of cyber risk management, by providing a thorough review of emerging cybersecurity trends and emphasizing on elements of good regulatory and supervisory practices.

The event was held on April 23-26, 2019 in Panama City, Panama. Mr. Ricardo Fernandez, Superintendent of SBP, welcomed the regional officials and opened the workshop. Also, during the opening session, Mr. Chris Hoornaert, Head of the Delegation of the European Union in Panama, represented CAPTAC-DR donors. Both authorities recognized the relevance of cyber-crime problems in the financial system, and expressed their satisfaction with the event to be developed and expressed their support for the Center's capacity-building activities in the region.

A total of 36 officials, mostly bank supervisors, attended the workshop. They represented the financial supervisory authorities of all member countries of CAPTAC-DR (e.g., Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama), the Central Bank of El Salvador, the Secretariat of the Central American Council of Banking Supervisors -CCSBSO, and the Central American Bank for Economic Integration - CABEL.

The workshop presented the emerging trends in cybersecurity and its management. It also provided a forum to exchange opinions and share national, regional, and international experiences on cyber security management. Discussions covered a series of related topics, such as the systemic dimension of the cyber risk and its potential impact on financial stability; the mind of the attacker; international regulatory frameworks on cyber risk (examples from the EU); cyber organization, government, risk management and incident reporting; the management of cyber risk and outsourcing, and the role of security reviews in the construction of operational cyber resilience; FinTech and the new challenges for cyber supervision; data privacy, and supervision techniques and in situ examinations of cyber risk. The countries shared their experiences on cyber risk and discussed the IMF's recent work on cyber resilience. A case study provided an opportunity to develop the practical knowledge to understand and manage cyber-attacks.





# TAX ADMINISTRATION



## CAPTAC-DR PROVIDED SUPPORT TO THE RISK MANAGEMENT WORKSHOP IN THE DGII OF EL SALVADOR

The event was attended by the senior authorities of the General Directorate of Internal Revenue of the Ministry of Finance of El Salvador, and allowed the director Sergio Gómez to establish the importance of risk management for tax administration in El Salvador.

The event also provided an overview of the importance of risk management in improving tax compliance and discuss the scope of its methodology, establishing the main characteristics and components.

After discussing the risk methodology expected to be implemented and to start the general definition and identification of the main tax risks, a technical team was formed to prepare the risk methodology proposal that will serve as a guide to the DGII and the development of tax risk tabs.



# CUSTOMS ADMINISTRATION

## CENTRAL AMERICA SIGNED A MUTUAL RECOGNITION AGREEMENT OF THE AUTHORIZED ECONOMIC OPERATOR PROGRAMS

On April 26, in Guatemala City, the Customs Directors of Customs of Costa Rica, El Salvador, Guatemala and Panama took an historic step in regional integration by signing a Mutual Recognition Agreement (MRA) for the Central American Authorized Economic Operator (AEO) Program, becoming the second multilateral agreement of this type at the Latin American level.

This Agreement will immediately allow 120 AEO certified companies to enjoy the benefits granted by customs administrations of these countries, aimed at improving the security of the logistics chain and competitiveness of the region. Also, those who are certified as AEO in any of these four countries will be automatically recognized in the other three countries.

The Directors-General of Customs and several representatives from the private sector recognized that this Agreement is a clear example of how working hand in hand with the public and private sectors will provide opportunities to improve the customs control, and safely and rapidly mobilize goods within the region. It adds to the efforts made by the northern triangle regarding Customs Union.

The Directors-General of Customs discussed the possibility of incorporating Honduras and Nicaragua to this Agreement in the future and entering into an MRA with countries outside the region to increase the benefits of this program. It will also be necessary to improve the Comprehensive Risk Management at the regional level within the framework of the regional strategy defined for this purpose with the support of CAPTAC-DR. Therefore, this Center has incorporated into its work plan for the next five years, technical assistance to support the entire region in this matter.



Under this multilateral agreement, the region advances in the adoption of this program within the Latin American region with the following results:

STATISTICS OF THE AEO PROGRAMS IN LATIN AMERICA	
Existing programs	16
Companie	2,066
Certificates Links	2,923
Mutual Recognition Agreements	36
Signed <sup>1</sup>	16
Negotiation <sup>2</sup>	20
People trained	400
Growth Rate % of exports	2.6

Source: Inter-american Development Bank with the information provided by countries of the region

<sup>1</sup> two of them are multilateral;

<sup>2</sup> six of the are multilateral

It is essential to know the AEO figure and what it represents for both customs administrations and trade operators

## WHAT IS AN AUTHORIZED ECONOMIC OPERATOR?

According to the World Customs Organization (WCO), an Authorized Economic Operator (AEO) is an individual or legal entity involved in the international movement of goods, regardless of their role, which has been authorized to operate a customs administration or in its behalf, complying with the standards established by the WCO in the SAFE Framework or other equivalent measures.

## WHAT IS A MUTUAL RECOGNITION AGREEMENT ON AEO?

A certification as AEO is not only to receive these benefits at country level but also to be internationally recognized for better opportunities to expand its markets under a competitiveness scheme, and this is called Mutual Recognition Agreement (MRA). This Agreement is entered into by two or more countries that have an AEO program. By this agreement, they undertake to extend local benefits to the AEOs of the signatory countries. MRAs are promoted by both the WCO and the World Trade Organization through the Agreement on Trade Facilitation.

## WHO CAN BE AN AEO?

The AEOs include, among others: manufacturers, importers, exporters, agents, customs brokers, carriers, intermediates, ports, airports, terminal operators, stockholders, among others. By complying with the requirements of the customs administrations in fiscal and security matters, these AEOs, receive a series of benefits that will allow them to move their goods more expeditiously across borders and thereby improve their processing times, reducing logistics costs and, in general, they are more competitive...

## WHAT IS THE RELATIONSHIP BETWEEN THE AEO PROGRAMS AND A COMPREHENSIVE CUSTOMS RISK MANAGEMENT?

It is a straightforward relationship. First, as indicated above, this certification is granted based on the level of compliance of an operator, both in terms of tax and safety compliance (in some countries, health and phytosanitary regulations should also be fulfilled). Thus, this certification is given to operators with a low level of risk for customs administrations. On the other hand, insofar as customs certify more AEOs, their resources may focus on higher risk operators and, therefore, they will have better opportunities to fight tax evasion and, at the same time, better contribute to regional competitiveness.

# THE HEADS OF CUSTOMS OF CENTRAL AMERICA, PANAMA AND DOMINICAN REPUBLIC AND CAPTAC-DR PARTICIPATE IN THE 2019 REGIONAL CONFERENCE OF WCO DIRECTORS GENERAL

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Each year, the World Customs Organization organizes the Regional Conference of Customs Directors for the Americas and Caribbean Region, a forum where good international practices, instruments, and standards of the WCO are discussed, as well as the topics that will be General Council of that organization.

This year, the XXII edition of this Conference was held in Asuncion, Paraguay on May 29-30 with the attendance of authorities of the customs administrations of Guatemala, Nicaragua, Panama, and the Dominican Republic.

The Director General of the Dominican Republic his capacity as Vice-President of the WCO for the Americas and Caribbean Region, and Mr. Enrique Paniagua, as well as the WCO Secretary General Kunio Mikuriya participated in this meeting. The President of the Republic of Paraguay also attended the opening ceremony of this Conference to show his support to the development and modernization of customs of that country, which represents approximately 45% of tax revenues in Paraguay, as mentioned by its Director General of Customs.

In this conference, several topics related to Central America, Panama and the Dominican Republic region were discussed. Also, the International Monetary Fund was present as every year, this time represented by Mr. Azael Pérez, Senior Economist of the IMF's Fiscal Affairs Department, and Mr. Selvin Lemus, Expert Resident on Customs Administration of CAPTAC-DR.

The most relevant topics addressed in this conference were the following: (i) WCO Strategic Plan; (ii) recovery of trade and small island economies; (iii) WCO priorities; (iv) compliance management, and (v) fight against fraud and money laundering, among other matters.





Likewise, the issue of performance measurement in customs administrations was widely discussed in a panel moderated by Mr. Enrique Canon, Chairman of the General Council of the WCO, with the participation of Mr. Perez in the representation of the IMF, the WCO Regional Manager of Capacity Building, and the Director-General of Customs in Brazil.

In this context, in a subsequent presentation, Mr. Perez informed the participating Director-Generals and delegates about the OMA-IMF joint initiative called ISOCA, which is aimed at making available to the customs worldwide, an online platform where they can access indicators and statistics on customs management. This platform can be used to develop comparisons between countries, regions or economy types, and also to learn about the good practices applied worldwide that serve as a reference for the implementation of customs reform and modernization projects in the region. The participants very well received this initiative and several of them expressed immediate interest in participating. The platform will be officially launched by the end of 2019.

The Directors-General of Customs of the region expressed their satisfaction with the event, and they and IMF representatives took the opportunity to hold several bilateral meetings with their counterparties in the Americas and the Caribbean region, as well as with the WCO and other participating agencies to coordinate all the capacity-building activities. In the particular case of CAPTAC-DR, the visit was also used to hold a meeting with Paraguayan customs officials, to share with them the experiences and good practices adopted in Central America, Panama and the Dominican Republic.

Finally, it is important to note that Guatemala has been chosen as the venue for the XXII edition of this Regional Conference of Directors General of Customs of the region. It will take place on May 4-5, in the beautiful city of Antigua Guatemala. This meeting is important because all the customs offices in the CAPRD region can participate.



# NATIONAL ACCOUNTS

## “TRAINING ON PRICE INDICES FOR NATIONAL ACCOUNTS”

On February 4-7, CAPTAC-DR imparted in Antigua Guatemala, the “Course on Price Indices for National Accounts,” with the participation of 21 officials from the seven member countries of the region. The main objective of this course was to provide conceptual and practical elements in terms of price indices necessary for the preparation of national accounts series in constant values or volume, in line with the

latest international recommendations on the subject. It helps to strengthen the statistical capacities of the national accounts offices in the CAPTAC-DR region.

The course was attended by consultants from the IMF and the Economic Commission for Latin America and the Caribbean



## "SEMINAR ON THE USE OF ADMINISTRATIVE SURVEYS AND RECORDS FOR NATIONAL ACCOUNTS"

On April 2-4, CAPTAC-DR, in collaboration with the Center for Latin American Monetary Studies, held the “Seminar on the use of surveys and administrative records for National Accounts”, in Mexico City.

Forty-eight officials from 12 countries participated in the workshop, including the region CAPTAC-DR. The seminar addressed the basic information requirements to create the national statistical systems based upon the needs of the National Accounts System and data dissemination schemes proposed by the IMF.

With case studies presented by Mexico, Colombia, Spain, and the member countries of CAPTAC-DR, participants discussed matters like business records and sampling frames; economic, employment and household surveys; special surveys, and the use of administrative documents.

To fulfill its mission in the region, CAPTAC-DR will continue to support the review of critical issues on the rebasing processes of its member countries.