



CAPTAC-DR



INTERVIEW TO MR. ANDRÉ BIEVER, HEAD OF BUSINESS OF THE LUXEMBOURG EMBASSY P. 01-02 AND TO MR. SELVIN LEMUS, RESIDENT ADVISOR IN CUSTOMS ADMINISTRATION P.02-03

CONTENTS

P. 4	The Importance of the Use of Third-party Information for Tax Administrations.
P. 5	Tax Compliance Risk Management Workshop .
P. 6	Regional National Accounts Workshop on Accrual Accounts and Asset Balance.
P. 7	Regional Banking Supervisors are trained in "Corporate Governance".
P. 8	The IMF and the World Customs Organization signed a Memorandum of Understanding.
P. 9	First Meeting of Customs Risk Management Experts of the region.
P. 10	Regional Harmonization Process of Government Finance Statistics.
P. 11-13	Dominican Republic-First Publication of Government Finance Statistics.
P. 14	Technical Assistance Mission and Follow-up the Work in Public Sector Debt Statistics.
P. 14	Technical Assistance Mission and Regional Progress Expected for the Next Quarter.

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INTERVIEW TO MR. ANDRE BIEVER HEAD OF BUSINESS OF THE EMBASSY OF LUXEMBOURG

1. WHAT MOTIVATES LUXEMBOURG TO CONTINUE SUPPORTING THE REGION THROUGH CAPTAC-DR DURING PHASE III?

First, Luxembourg recognizes CAPTAC-DR's success in supporting capacity development in the region during the five years of Phase II that ends in April 2019. Hence, the seven countries in the Central American region are modernizing their macroeconomic and financial policy framework. I want to add that the international cooperation agenda of Luxembourg is closely aligned with the Sustainable Development Goals and our assistance is primarily focused on Nicaragua and El Salvador. In this sense, our partnership with CAPTAC-DR gives us the opportunity to support the entire region in the design of policies that consolidate macroeconomic and financial stability, and improve the conditions for greater inclusive growth, through regional integration.

I believe that CAPTAC-DR is an ideal channel, among others, to implement our cooperation agenda in the region since, through the Center, we unite and coordinate efforts with other CAPTAC-DR external partners and its member countries. Undoubtedly, this strategic partnership amplifies the impact of our cooperation and more effectively addresses the priorities of the region's macroeconomic institutions. Also, the Center maintains high standards of relevance, effectiveness, and efficiency in its technical assistance, which was confirmed by the external evaluation carried out last year. With the support of the IMF, the Center ensures the quality of its technical assistance, in line with international best practices.

2. WHAT LESSONS CAN THE EXPERIENCE OF LUXEMBOURG PROVIDE TO THE REGION IN THE DEVELOPMENT OF ECONOMIC POLICY FRAMEWORKS?

An essential lesson from the experience of Luxembourg is that capacity development is a gradual and well-sequenced process, which should aim to have the capacity to design and adopt policies that support macroeconomic stability and the soundness of the financial sector to promote investment and job creation. Besides, it is essential that the society, in general, knows the benefits and relevance of having sound macroeconomic institutions to achieve its support for the modernization process. Therefore, the next step is capacity building for the design of policies aimed at the gender and income equality and transparency in the public sector.



it means, for example, better policies to support financial inclusion, lower tax evasion, and greater efficiency in public spending. These elements are vital in raising inclusive growth and achieving the Sustainable Development Goals.

3. WHAT ARE YOUR RECOMMENDATIONS FOR THE REGION TO ADVANCE FASTER IN CAPACITY DEVELOPMENT DURING PHASE III?

The Program Document for Phase III that was published in May 2018 offers an excellent road-map in the modernization of economic policy frameworks for the next five years. In the first place, the document summarizes the priorities identified by the member countries of the Center, which contributes to the region's empowerment for the progress processes and milestone achievement. Secondly, it is essential to strengthen the managerial and technical capacity of officials to facilitate the adoption of technical assistance and ensure the advance in the capabilities.

There is also room to establish greater coordination between CAPTAC-DR, the authorities of the member countries and all technical assistance providers in the region. The purpose is to be more effective in capacity development and avoid duplication of efforts. Finally, the region must mitigate the risks to the advancement of capabilities by avoiding deviations resulting from political pressures, ensuring the continuity of high-level technical staff and improving the absorption of technical assistance.

4. HOW COULD CAPTAC-DR BETTER DISSEMINATE THE SUCCESS AND PROGRESS IN THE REGION?

The Center has made great efforts to disseminate success and progress, but given the technical nature of its work, there is room for further development. Greater dissemination and publication of technical assistance reports could increase coordination among technical assistance providers and disseminate experiences among member countries, making the use of resources more efficient. It would also help society in general to know the scope of CAPTAC-DR work.

The Regional Councils, through their Secretariats, could contribute to this effort. Greater broadcasting of milestones in each project would also help prioritize efforts in capacity development through the results-based focus that the Center adopted in 2018.

It is essential that the Center keeps its communication strategy, with the frequent visit of its regional advisers to the representatives of the external partners and technical assistance providers in the region, the dissemination of its training and mission activities, and the participation of external partners and high-level authorities in regional seminars. The reports of its activities in social networks (such as Twitter @CAPTAC-DR) also offer a channel for visibility to external partners.

Interview to the engineer Selvin Lemus

Resident Advisor of the Center for Customs Administration

1. WHAT ARE THE FACTORS THAT GAVE RISE TO THE REGIONAL CUSTOMS RISK MANAGEMENT STRATEGY?

Different elements of the regional customs contributed to creating this strategy. First, globalization has increased foreign trade operations in number and complexity. However, this increase is not reflected in the quantity of customs officers. It hinders traditional physical control (focused on the total of goods crossing the borders) and leads to the search for other control methods.

Second, the economic integration efforts of the Northern Triangle (El Salvador, Honduras, and Guatemala) have streamlined trade. Finally, the search for greater competitiveness and more precise rules led to the signing of the "Agreement on Trade Facilitation" (signed in 2013), which is used as a reference framework for the simplification and streamlining of trade worldwide.

Based on this agreement, the "Central American Strategy of Trade and Competitiveness Facilitation" was created, with emphasis on Coordinated Border Management, which has comprehensive risk management within its strategic pillars. The "Regional Strategy for Customs Comprehensive Risk Management" was developed with the support of the CAPTAC-DR to mitigate common risks within the region efficiently. This instrument serves as a guide for the provision of technical and financial assistance with other donors.

THE REGIONAL RISK MANAGEMENT STRATEGY IS A STRATEGIC FRAMEWORK FOR BI-NATIONAL AND REGIONAL INITIATIVES WITH FOUR PILLARS (CLICK HERE TO LEARN MORE ABOUT THE STRATEGY).

2. WHAT IS RISK MANAGEMENT? HOW DOES THE REGION BENEFIT FROM THIS RISK MANAGEMENT?

Risk management is a structural and systematic process for the prevention and mitigation of operational and institutional risks faced by customs administrations. It must be comprehensive, i.e., it is applied to all customs processes and, therefore, the entire institution must be involved in its implementation. This process should be strengthened with information management and close coordination with other government agencies and the private sector.

Risk management has several significant implications for the region. One, to become one of the strategic pillars for strengthening customs administrations institutions. Its effective implementation leads customs to use more intelligent and less intrusive controls to combat smuggling and customs fraud. Also, it is beneficial for the reduction of logistics times and costs. Finally, it allows fighting corruption practices associated with border customs operations, since it facilitates the identification of suspicious transactions and the decrease in the discretion over the goods subject to physical inspection.

3. HOW SHOULD CUSTOMS EVOLVE FOR RISK MANAGEMENT?

Institutions must recognize that their management should be based on the prevention and mitigation of risks. It is also important that the implementation of priority initiatives be accompanied by the following aspects of what should be invested: (i) human talent, to improve their technical capacities and create awareness of their role in risk management; (ii) technology applied to processes and information management that facilitate the adoption of intelligent control; (iii) customs processes to eliminate discretion, strengthen controls and provide quality services; and (iv) border port and airport infrastructure, aligned with the operations of other control entities.



Finally, customs have to make an effort to strengthen collaborations with the private sector and other public sector institutions. It will be possible to assess and enhance the regulatory framework at the regional and national levels in risk management. The efforts at customs offices must be accompanied by the technical and financial assistance required. CAPTAC-DR has been included in the work plan for phase III, support in the implementation of the comprehensive risk management strategy. This strategy will be adopted in close coordination with other technical assistance providers and donors.

TAX ADMINISTRATION

THE IMPORTANCE OF THE USE OF THIRD-PARTY INFORMATION FOR TAX ADMINISTRATIONS

The experience of Chile, Spain, and Uruguay shows that a tax administration that does not exploit third-party's information cannot improve tax compliance. Countries in the region reached consensus on the importance of effective information governance, improving information sharing, and ensuring its efficient use.



The Center organized a seminar in Panama City, which allowed participants to reflect on the importance of third-party information as a mechanism for tax administrations to improve compliance. The representatives of the seven countries in the region have been able to identify the real situation of their administrations regarding the capture and use of third-party information. First, it has been possible to detect the existence of several sources of information that are necessary for the tax administration in the region. Although the data exists, access is not so encouraging, because the regulations of the different countries do not provide access to financial or foreign information. Perhaps the less favorable aspect is the use of data, so the seminar was essential to identify the actions that need to be implemented in this regard.

One of the solutions proposed in the seminar with the agreement of the participants was the strengthening of information governance. Undoubtedly, determining the information needs is essential, and the basic premise is to have a catalog of information sources. An information plan must be established to identify who is responsible for each stage of incorporation and use, to capture data, structure, validations, storage, availability, and security. Participants also agreed on the importance of defining mechanisms that ensure information capture through timely information returns, data provision, exchange agreements, and alliances with the civil society.

The use of information was the last point of agreement; thus, it is essential for tax administrations to identify the risks that should be mitigated to enhance information exploitation, an important aspect is the identification of the change in the service model and control in the tax administration from the electronic invoice.

The main results of the seminar are: (i) the definition of the information inventory of each country; (ii) identification of missing information; (iii) identification of information capture mechanisms; iv) identification of new uses for information and (v) definition of clear data availability and protection policies.

THE HONDURAN EXECUTIVE DIRECTORATE OF REVENUE SUCCESSFULLY CARRIED OUT A TAX COMPLIANCE RISK MANAGEMENT WORKSHOP WITH THE SUPPORT OF THE IMF AND CAPTAC-DR

The event was attended by the top management of the Honduran Revenue Administration Service (Servicio de Administración de Rentas de Honduras, SAR) to validate the compliance risks identified by the tax administration and the appropriate treatments. It included the presentation of the methodological aspects of risk management by an IMF expert.

During the event, the risk papers that the SAR staff prepared were reviewed, and as a result of the workgroup discussions, the main compliance risks and the main tax treatments to mitigate them were defined.

The event helped identify the need to integrate risk management into SAR's multi-year strategic planning process. SAR's Risk Compliance Committee was created during the workshop, and it is a fundamental milestone in implementing risk management methods in that country.



NATIONAL ACCOUNTS



ACCOUNTABILITY ACCOUNTS AND ASSET BALANCES

Last November, CAPTAC-DR, with the support of the Central Bank of the Dominican Republic, held in Santo Domingo a regional national accounts workshop on accrual accounts and asset balance. The inauguration of the event was attended by the Governor of the Central Bank, Mr. Héctor Valdez Albizú, and we were pleased to have one of our financial partners, the Head of the Cooperation of the Delegation of the European Union, Mr. Alejandro Diz Rodriguez.

A group of 20 participants from the seven member-countries and a representative of the Central American Monetary Council learned concepts and carried out exercises of the methodological proposal to develop balance sheets for financial assets. Special emphasis was made on the assets with a particular measurement base and the identification of flows for transactions of those that are not, as part of the latest recommendations to measure financial flows.

The course was attended by a Senior Advisor of the Central Bank of Chile who talked about the experience of this country in the development of quarterly balance sheets for financial assets, as well as the uses and analyses of this information. This course is part of the training needs that were identified in the region, which the Center emphasizes in technical assistance regarding accounts by institutional sectors.



FINANCIAL SUPERVISION

REGIONAL BANKING SUPERVISORS ARE TRAINED IN CORPORATE GOVERNANCE

With the aim of improving the knowledge and capacities of regional supervisors and highlighting the importance and benefits of robust corporate governance (GC) in banks, CAPTAC-DR organized and carried out the regional seminar on "Corporate Governance."

The event was held last November in Antigua Guatemala, Guatemala. During the inauguration, we had the presence of one of the financial partners of the Center represented by Tomás Pallas, Head of Cooperation of the European Union Delegation in Guatemala, who highlighted his satisfaction and the significance of the seminar and supported the work of the Center in the development of capacities throughout the region.



The seminar was given by international speakers, Cristina Pailhé and José María Lamamié de Clairac, both experts in financial supervision and regulation of the Center. A total of 33 representatives of Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua, and Panama participated in the course. Most of the participants were bank supervisors; 48% of them were women and 51% men.

The seminar covered key topics on CG, including GC Principles for Basel Committee banks (board of directors, senior management, risk management function, compliance, internal control, among others), definition and supervision of suitability and experience requirements, CG regulation and oversight, other CG standards (OECD). Teams from the participating countries developed several case studies based on real experiences from the participating countries and, for nearly two days, carried out both panel and plenary discussions. This course contributed to capacity-building among supervisors.



CUSTOMS ADMINISTRATION

THE IMF AND THE WORLD CUSTOMS ORGANIZATION (WCO) SIGNED A MEMORANDUM OF UNDERSTANDING

Last December, the Director of the IMF's Fiscal Affairs Department, Mr. Vítor Gaspar, and the Secretary General of the World Customs Organization (WCO), Mr. Kunio Mikuriya signed a Memorandum of Understanding, which establishes the cooperation of both agencies for the definition of a harmonized tool to collect information from the customs administrations called International Survey on Customs Administrations (ISOCA).

This tool will facilitate the generation of qualitative and quantitative indicators on the information from customs administrations that voluntarily provide their data. Hence, customs administrations will have the possibility to carry out analysis and research, as well as identify trends and opportunities to improve their performance based on the information of other customs, and better coordinate the technical assistance they receive from international agencies and donors.

ISOCA is based on IMF's Revenue Administration Fiscal Information Tool (RA-FIT) and will be developed on the experience gathered by the IMF through its worldwide multiple technical assistance missions, as well as WCO's best practices and instruments.

CAPTAC-DR will support the customs administrations of Central America, Panama and the Dominican Republic to make use and benefit from ISOCA and will provide them with technical assistance taking into consideration its information, in coordination with other technical assistance providers and donors.



ORGANIZACION MUNDIAL DE ADUANAS



FIRST MEETING OF CUSTOMS RISK MANAGEMENT EXPERTS OF THE REGION

In the framework of the Central American integration and with the purpose of unifying efforts at the regional level to combat risks in foreign trade, the first meeting of customs risk management experts was held on December 3, in Panama City, Panama.

This working group was set up within the framework of the Regional Strategy for Comprehensive Risk Management (Estrategia Regional de Gestión Integral de Riesgos en Aduanas, ERGIRA) developed by the region with the technical assistance of the Center and the participation of the United States Agency for International Development (USAID), the Secretariat of Central American Integration (SIECA), the Inter-American Development Bank (IDB), and the customs of Argentina, Mexico and USA. This ERGIRA is based on the provisions of the Central American Strategy Trade Facilitation and Competitiveness with Emphasis on Coordinated Border Management that the Council of Ministers for Economic Integration of Central America (COMIECO) approved in 2015.

A work plan was defined in the first meeting so the group will launch regional initiatives for the implementation of the above-mentioned regional strategy, with the purpose of unifying efforts to fight customs fraud and the strengthening of security and safety protection, as well as for the facilitation of trade.

Our customs administration resident expert, Mr. Selvin Lemus, has been invited to participate in the meetings of this group of experts, with the purpose of providing advice on the implementation of the actions set out in the regional strategy. In this first meeting, Mr. Lemus officially presented the representatives of each country and SIECA with a copy of the ERGIRA.

The next meeting of this group of experts will be held in February 2019 in Guatemala City, where CAPTAC-DR will hand over the ERGIRA to Heads of Customs Administrations in the region.

GOVERNMENT FINANCE STATISTICS

Two technical assistance missions in public finance statistics to the Dominican Republic and Honduras, an outreach event in the Dominican Republic, and the first regional meeting of the Working Group of Public Finance Statistics (GTEFP) were carried out in the last quarter of November 2018 until January 2019. Also, the expert in public finance statistics participated in the multi-sectoral mission to Nicaragua and presented the regional advances at the Central American Monetary Council meeting.

Regional Harmonization Process of Government Finance Statistics

Substantial progress was made this quarter in the efforts to build the process of fiscal statistics regional harmonization. The first meeting of the Public Finance Working Group (GTEFP) took place last November, in San José, Costa Rica, with the participation of most of the institutions involved. The working group is made up of 14 institutions, including the Ministries of Finance, Central Banks and the National Institute of Statistics and Census (Instituto Nacional de Estadística y Censos, INEC) of Panama. The GTEFP was established as specialized technical support in the government finance statistics (GFS) and public sector debt statistics (PSDS) for the Council of Treasury or Finance Ministers of Central America,

Panama and the Dominican Republic (COSEFIN), and the Central American Monetary Council (CMA). The 2018-2023 strategic plan and the work plan were agreed upon at that meeting, as well as functions and rules governing GTEFP operation, which were submitted to the approval of the two Councils.



support accountability and analysis of the fiscal situation of countries on similar conditions, and allow the design of studies adopted to evaluate the performance of governments and the long-term sustainability of public finances.

GFS expert accompanied the Center's coordinator, Dr. Mario Garza, to the CMCA last November to present local developments in fiscal statistics, in particular, the constitution of the regional work plan. The authorities of the central banks reinforced their support to the GFS and PSDS harmonization project.



CAPTAC-DR, through its fiscal statistics area, is proactively supporting this work of great importance for regional integration. The harmonization of fiscal statistics from a regional perspective seeks to provide better information to local authorities for decision-making at a social, political and economic level; allow the comparability of data and reports, facilitating the regional economic debate;





FIRST REGIONAL PUBLICATION OF GOVERNMENT FINANCE STATISTICS (SANTO DOMINGO,) DOMINICAN REPUBLIC)

The authorities of the Dominican Republic were the first in the region to post the data on government finance statistics on their websites. These data were the most up-to-date monthly international standards for the central government budget. The dissemination event took place on November 27, with the participation of local authorities, the head of IMF's Statistics Department, Rainer Koehler, CAPTAC-DR's Coordinator, Dr. Mario Garza, and public finance statistics expert, Bruno Da Rocha. The event had great local media coverage and was a critical framework to advance in the GFS regional harmonization. It is expected that other countries will soon follow the example of the Dominican Republic. This achievement is the result of coordinated efforts by the Ministry of Finance and the Central Bank, ensuring the consistency of information generated. Thus, it makes possible the institutional integration that will support critical regional harmonization.





DONALD GUERRERO ORTIZ
MINISTER OF FINANCE OF THE DOMINICAN REPUBLIC

"The Ministry makes available to everyone the government finance statistics. This compilation, presentation, and dissemination of fiscal data captured in the statement of government operations mark a significant change, where the Ministry of Finance, for the first time, presents integrated transactions of income, expenditure and government financing transactions, under the international standards of the IMF's Government Finance Statistics Manual 2014 Edition.

We thank the IMF, its Public Finance Statistics Department, and CAPTAC-DR, which has been committed to a strategy of permanent support to the governments of the region in the definition and development of fiscal statistics migration flows."



MARIO GARZA
CAPTAC-DR COORDINATOR, IMF

"I commend and acknowledge the excellent work and the intense collaboration of the officials of the Ministry of Finance and the Central Bank, who have made possible this significant advance in the country's statistics. CAPTAC-DR has been a witness and companion in this process.

The authorities' work agenda is framed in an ambitious strategy of regional harmonization for public finance statistics. The Dominican Republic has taken a leading role, and it is an example of advancing this agenda.

The objective of the countries of the region is to gradually establish a comprehensive fiscal policy supported by a transparent plan that is consistent with the sustainability of public debt, friendly to economic growth, inclusive and capable of redistributing income."





RAINER KOEHLER

DIVISION CHIEF OF STATISTICS DEPARTMENT, IMF

"What is particularly remarkable about the new fiscal data is not only the result, i.e., being able to produce high-frequency public statistics that are consistent with other macro data sets, in line with international statistical standards, but how they achieved this objective.

Let me highlight three essential actions that were adopted for this successful result. First, there was a collaborative and priority effort by the Ministry of Finance and the Central Bank to improve fiscal statistics. Second, the Ministry's statistics staff actively participated in CAPTAC-DR capacity-development activities. Finally, the constant support of CAPTAC-DR's consultant, Bruno da Rocha, and my colleague, Mariana Sabates, facilitated the persistent progress in the compilation of fiscal statistics".

BRUNO DA ROCHA

RESIDENT ADVISOR IN GOVERNMENT FINANCE
STATISTICS, CAPTAC-DR, IMF

The main achievements of the Dominican Republic are to be the first country in the region to publish monthly data on the government administration, ensure consistency between macroeconomic statistics, the creation of the Finance Statistics Advisory Committee, leadership in the process of regional harmonization, and the design of a work plan to advance in GFS and PSDS.

The publication of the GFS seeks to standardize the fiscal analysis from a common language, guarantee the consistency and comparability of data, strengthen the analysis of risk and fiscal sustainability and promotes transparency.





TECHNICAL ASSISTANCE MISSIONS AND FOLLOW-UP OF THE WORK IN PUBLIC SECTOR DEBT STATISTICS

Technical assistance missions carried out in the quarter went to the Dominican Republic and Honduras. The assistance to the Dominican Republic focused on the compilation of high-frequency data for the central government, including the decentralized and initial discussions on the future design of computerized systems for the consolidation of fiscal statistics. The mission also met with the Public Credit Department to discuss future progress in debt statistics. In Honduras, the mission followed up on the work of reviewing the annual data and preparation of monthly and quarterly information and conducted the training focused on 35 officials of the Ministry of Finance and the Central Bank of Honduras. The inauguration of the course had a cultural and artistic approach by the Music Ensemble of the Comprehensive Pilot Program to Fight Urban Poverty (Ensamble Musical del Programa Piloto Integral de Combate a la Pobreza Urbana) along with the Directorate General of Macroeconomic and Fiscal Policy to motivate the participants with a selection of Honduran and Brazilian music, as a special treat for the speakers at the event

TECHNICAL ASSISTANCE MISSIONS AND REGIONAL PROGRESS EXPECTED FOR THE NEXT QUARTER

Last December, the fiscal statistics expert, Mr. Bruno da Rocha, also participated in the multi-sectoral statistics mission to Nicaragua. The goal of a multi-sectoral mission is the integrated assessment of national statistics, in that case in four aspects: public finance statistics, external sector, prices, and national accounts. It seeks to ensure consistency among the different statistics publications of the country. A remarkable achievement is the definition of the integrated coverage of the Nicaraguan public sector, as well as the greater consistency among different statistical systems in the country.

For the quarter between February and April 2019, technical assistance missions are planned for Guatemala, Panama and El Salvador. These missions are focused on public sector debt statistics training, following up on work plans to improve debt indicators and the publication and dissemination of monthly and quarterly fiscal data

Also, the second meeting of the Public Finance Working Group is scheduled for March, in San Salvador, El Salvador. The purpose of this meeting will be to provide details on the regional data dissemination planned for June 2019.