

CAPTAC-DR NEWS

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TABLE OF content

- 01** XIV Steering Committee Meeting of CAPTAC-DR
- 03** Guatemala: Hackathon to improve public procurement management
- 05** Summary of Capacity Development Activities
- 07** Free Online Courses in Spanish by the IMF's Institute for Capacity Development
- 10** Meet the New Member of the CAPTAC-DR Team



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XIV Steering Committee Meeting of CAPTAC-DR

The Regional Technical Assistance Center for Central America, Panama, and the Dominican Republic (CAPTAC-DR) of the International Monetary Fund (IMF) held its 14th Steering Committee (SC) meeting[1] on June 27th. In the virtual meeting, representatives of CAPTAC-DR member countries, regional councils, financial partners, and the IMF staff, discussed progress on capacity development (CD) during Fiscal Year (FY) 2022, and the SC endorsed the work program and budget for FY23.

In his opening remarks for the meeting, Mr. Dominique Desruelle, Director of the Institute for Capacity Development of the IMF, underscored the importance of CD work in the context of the pandemic and highlighted some of the responses to the pandemic in the past two years, which have included: (i) an unprecedented expansion of emergency financing; (ii) the use of virtual CD activities, which allowed to reach larger audiences; and (iii) a greater integration of cross-cutting themes into CD.



Steering Committee members, representatives from regional councils, and IMF's and CAPTAC-DR's staff.

The first session of the meeting revolved around progress being made in the integration of surveillance and the work on financial arrangements with the CD. Alfredo Blanco, Vice President of the Bank of Guatemala, discussed the work of the technical assistance (TA) coordination committee established in 2020, which has helped improve inter and intra-institutional coordination in Guatemala, as well as identify difficulties with the implementation of TA recommendations and possible solutions to them. Emilio Fernández, IMF Mission Chief for Guatemala, heightened in his intervention that the work of the committee fosters a global view of the Fund's work in the country and facilitates the integration of CD with surveillance work, which increases the effectiveness of both surveillance and CD, and helps the authorities achieve their objectives.

Regarding the integration of program work and CD, two examples were presented for Costa Rica, a country that has a financial arrangement with the IMF. First, Mario Martínez, General Director of the Tax Administration, presented the development of the Tax Compliance Improvement Plan, which CAPTAC-DR and the IMF's Fiscal Affairs Department (FAD) supported through TA. The Plan has strengthened institutional capacity to identify and manage risks and seeks to increase tax compliance. Secondly, Rodrigo Zeledón and Mauricio Arroyo, in representation of the National Treasury, discussed the establishment of the Single System for the Payment of Social Resources (SUPRES), which was also supported by the Center and FAD. SUPRES promotes digitalization and financial inclusion, fosters good governance, accountability and fiscal transparency, and strengthens efficiency in public resource management.

In the second session, the main outcomes during FY22 were presented and the SC endorsed the work program and the budget for FY23. Lisandro Ábrego, Director of CAPTAC-DR, emphasized that

[1] The material of the Steering Committee meeting can be found on www.captac-dr.org.

CD activity in FY22—the highest in the last few years— reflected the Center’s response to the new needs derived from the pandemic and supported the region’s economic recovery, including in the context of financial arrangements with the IMF. The workplan for FY23 will prioritize medium-term issues and will concentrate on activities that support the economic recovery. It envisages a gradual resumption of in-person CD work from the second quarter and a mixed format (virtual and in-person) for CD delivery during the fiscal year.

The third and last session discussed progress with the incorporation of digitalization into the Center’s work program. In their presentation, Grecia Rosal and Andrés Navas, from CAPTAC-DR, highlighted the Center’s support to digitalization in the areas of customs administration, treasury revenue collection systems, and cybersecurity risks. At the same time, they referred to the work of the Center on electronic money (new digital payments and central banking digital currencies) and *Fintech*.

Also in this session, CAPTAC-DR’s experts Selvin Lemus and Martin Ramos, presented the experience of the Center with the use of CD regional projects in tax and customs administration, highlighting the reasons for their use and their benefits. It was pointed out that regional projects foster the efficiency of the Center’s CD work, complement bilateral TA, generate a network across countries and institutions, promote peer learning, facilitate the adoption of international best practices, and support the priorities of regional institutions.

The next Steering Committee will take place mid-2023.



Guatemala: Hackathon to improve public procurement management

By Marta Cubillo

In July 2022, the Ministry of Finance of Guatemala and the International Monetary Fund (IMF) hosted in Guatemala the second Public Financial Management Hackathon of the Latin American region, focused on procurement. The event also had the support of CAPTAC-DR.

The word 'hackathon' comes from joining the terms 'hack' and 'marathon.' It is an intensive hacking event (programming and development) in a limited time, which makes it considered a "marathon".

It is essentially an innovation competition based on software engineering. However, other sectors can resort to this format in search of creative and innovative solutions, where interested parties, which are not necessarily programmers, are invited to participate in teams.

A hackathon is already an innovative tool. It fosters collaborative work, an open mind, and the use of the philosophy of agile methodologies. The working dynamics of this model stimulate creativity, which is key to innovation; it promotes a space for the development and creation of technology by generating technical or business ideas.

The event in Guatemala aimed to find an innovative solution to improve management in public procurement. The Ministry of Finance (MINFIN), Ministry of Public Health and Social Assistance (MSPAS), and the IMF launched the *GTChallenge* for driving public innovation from procurement to payments, focusing on the processes from the time before the acquisition to when payments are made from the treasury. The Challenge allowed to build implementable technological proposals to improve existing systems.

This event used design thinking tools, a methodology that provides a solution-based approach to tackle complex problems. During the two weeks preceding the face-to-face event held on July 28th and 29th, the teams participated in remote events with government officials. These remote events aimed to understand the problem and the needs of the people involved in the processes, supporting the definition of problems and solutions with a realistic and practical approach, which is necessary to make and develop prototypes.

Ten groups of young innovators from several Latin American countries participated, including participants from organizations of citizen, open data areas, academia, private sector, and small entrepreneurs interested in public purchases. In turn, participants were supported by mentors from Chile, Paraguay, Colombia, and Costa Rica, and with the participation of the author of this note.



The ten proposals were evaluated according to creativity, originality and innovation, functionality, design, feasibility, projection, and final presentation. Three winning proposals were chosen:

- 1)** an ecosystem of solutions to improve the experience of MSME government suppliers, which proposes to give the supplier visibility into the procurement process flow through a virtual assistant based on artificial intelligence, with real-time updates and notifications;
- 2)** a platform with predictions based on historical contracting data, which reuses data from the expenditure execution process to improve decision-making in procurement areas; and
- 3)** using blockchain-based smart contract solutions, the third team proposed to automate the generation of contracts and their execution rules associated with public expenditure, which will allow greater control of compliance and generate data for citizen accountability.

The next step is that the three prototypes selected can be developed and implemented by the Guatemalan government. It will undoubtedly mean a step towards the future in digital transformation, which is not only the digitalization of processes but a profound change in how we deliver services and interact with citizens.

Summary of Capacity Development Activities

Tax Administration

- In Guatemala, support was given on good practices topic in the management and control of large taxpayers, as these taxpayers have a high share of tax revenues. In Costa Rica, assistance was provided by reviewing and updating the tax compliance risk assessment, and in Panama work was done on the taxpayer registry for potential large taxpayers.
- Tax experts held seminars to strengthen the management of payment agreements and the tax audit function in the industrial sector. This year the knowledge of tax officials on specialized issues that will enable them to strengthen tax compliance will be deepened.

Customs Administration

- CAPTAC-DR has provided technical assistance to strengthen the governance and management of Costa Rica's National Customs Service (NCS) through the modernization of its organizational structure in line with the recent reform of the Customs Law, to improve service efficiency and effectiveness in control actions.
- Besides, with the Department of Public Finance, support was provided to the Honduran customs administration to improve management and strengthen the control of exemptions and special regimes based on risk management.

Public Financial Management

- As part of the PEFA evaluation, the Ministry of Finance of Costa Rica was assisted in updating the PEFA analysis, including PEFA Climate, considering that its results will contribute to strengthening the performance of public financial management (PFM) and improved instrumentalization of public policies. Also, adopting the new hybrid capacity-building format for this fiscal year, a face-to-face mission was carried out in Honduras on the modernization of treasury management, specifically cash management. In this mission, a workshop was held in which a cash program was built, aligned with the budget and the debt strategy.

Central Banking Topics

- Technical assistance for liquidity forecasts in Honduras and Nicaragua was completed. The models were given to the central banks that could be used to forecast autonomous factors. In conjunction with the IMF's Monetary and Capital Markets Department, the first technical assistance for digital currencies issued by central banks in Honduras was completed and a foreign exchange operations mission was carried out in Costa Rica.

Financial Regulation and Supervision

- Assistance was provided to follow up with the Superintendency of Banks of the Dominican Republic on the implementation of Basel standards (operational risk, ICAAP, and stress tests), and to support the Superintendency of Banks of Guatemala in reviewing the regulation of recovery plans (banks) and their supervisory processes.
- Also, together with experts from the IMF's Monetary and Capital Markets Department, the Center provided training for the different supervisors in Costa Rica (SUGEF, SUGESE, SUGEVAL, and SUPEN) to build capacities and strengthen the current regulatory framework for cybersecurity in line with international standards and good practices.

External Sector Statistics

- The Central Reserve Bank of El Salvador received assistance in analyzing the preliminary versions of the Institutional Accounts for 2014 and 2015 and in guiding the compilation of the sequence of accounts for 2016. For the National Institute of Statistics of Guatemala, assistance was provided to evaluate the current Consumer Price Index and plan the roadmap for rebasing. In Panama, work was done on reviewing and analyzing the results of the Survey on Trade and Transport Margins. Also, three technical assistance sessions were completed with the Central Bank of Honduras within the framework of the rebasing project to 2016.
- At the regional level, a three-day regional virtual training course was held to strengthen capacities in preparing and balancing annual Supply and Use Tables (SUTs), through the implementations of the Excel tool for SUTs.

Government Finance Statistics

- In the Dominican Republic, work was done on the sectorization of newly created trusts in the country and the registration of their transactions. In Guatemala, support was given for the compilation and dissemination of public finance statistics and public sector debt statistics. In Honduras, several actions were taken to strengthen the compilation and consistency of data below the line between the Central Bank and the Ministry of Finance for the budgetary and extra-budgetary units, local governments, and social security funds.
- At the regional level, a course was offered for central banks and finance ministries, including the INEC of Panama, on definitions, recording, and valuation of flows and stocks. The objective was to assist these institutions in continuing the adoption of the methodological guidelines set out in the manuals of public finance and public debt statistics.

Free Online Courses in Spanish by the IMF's Institute for Capacity Development



Financial Programming and Policies, Part 1: Macroeconomic Accounts and Analysis (FPP. 1x)

- **Up to April 2023**

At your own pace! Recommended dedication: 5-6 hours per week, for 6 weeks.

- **Government officials, register [here](#).**
- **General public, register [here](#).**

Course Description:

- How healthy is an economy? What can economic policy do to maintain or restore the health of an economy? These questions are at the heart of financial programming. In our FPP course you will learn the fundamental concepts to answer these questions.

Financial Programming and Policy Online Course, Part 2: Program Design (FPP. 2x)

- **Up to April 2023**

At your own pace! Recommended dedication: 5-6 hours per week, for 7 weeks.

- **Government officials, register [here](#).**
- **General public, register [here](#).**

Course Description:

- This course builds on the FPP.1x course and focuses on the design and implementation of macroeconomic and financial policies. It presents simple forecasting methods for each macroeconomic sector; explains the underlying assumptions for the diagnosis of macroeconomic performance; and discusses the design of a macroeconomic adjustment program for a country case study.

Public Sector Debt Statistics (PSDSx)

- Up to April 2023

At your own pace! Recommended dedication: 4-5 hours per week, for 7 weeks.

- **Government officials, register [here](#).**
- **General public, register [here](#).**

Course Description:

- This course covers the fundamentals needed to compile and disseminate comprehensive public sector debt statistics (PSDS), useful for decision and policy makers as well as other users. The course presents the conceptual statistical framework for GDSs-included in the publication Public Sector Debt Statistics: A Guide for Compilers and Users-in the context of the government finance statistics (GFS) framework, harmonized with other macroeconomic statistical frameworks.

Tax Gap Analysis RA-GAP (VGAPx)

- Up to April 2023

At your own pace! Recommended dedication: 3-4 hours per week, for 5 weeks.

- **Government officials, register [here](#).**
- **General public, register [here](#).**

Course Description:

- This online course, taught by the Department of Public Finance, teaches how to prepare and run the VAT Gap Estimation Model (VGEM) of the Tax Gap Analysis in Public Revenue Management Program (RA-GAP) from the IMF.

**VITARA - Strategic
Management (VITARA-
SMG)**

- **Up to April 2023**

At your own pace!

Register online before March 4th 2023

- Visit the website through this link:
<https://www.imf.org/es/Capacity-Development/Training/ICDTC/Schedule/OL/2022/VITARA-SMGOL22-205>

Meet the New Member of the CAPTAC-DR Team

Alfredo Tijerina - Resident Advisor in Tax Administration



Alfredo has a PhD in economics. He worked in Mexico's tax administration sector for 18 years. He has experience in the development of tax risk models for the selection of taxpayers' audit and tax refunds.

He also worked in the development of business rules for the use of tax voucher data, in the preparation of studies to estimate tax evasion and tax compliance gaps, and in the identification of aggressive tax evasion practices. In addition, he worked in the area of hydrocarbon sector audits, such as the payment of taxes, duties and compliance with contracts, among others.

In July 2022 he joined CAPTAC-DR as resident advisor in tax administration.