BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Project Name</th>
<th>Parent Project ID (if any)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costa Rica</td>
<td>P172352</td>
<td>Costa Rica Fiscal Management Improvement Project</td>
<td></td>
</tr>
<tr>
<td>Region</td>
<td>Estimated Appraisal Date</td>
<td>Estimated Board Date</td>
<td>Practice Area (Lead)</td>
</tr>
<tr>
<td>LATIN AMERICA AND CARIBBEAN</td>
<td>20-Feb-2020</td>
<td>26-Mar-2020</td>
<td>Governance</td>
</tr>
<tr>
<td>Financing Instrument</td>
<td>Borrower(s)</td>
<td>Implementing Agency</td>
<td></td>
</tr>
<tr>
<td>Investment Project Financing</td>
<td>Republic of Costa Rica</td>
<td>Ministry of Finance</td>
<td></td>
</tr>
</tbody>
</table>

Proposed Development Objective(s)

The Project Development Objective (PDO) is to improve efficiency, effectiveness and client orientation of tax and customs administration, and public expenditure management.

Components

- Strengthening public expenditure management
- Enhancing efficiency and client orientation of tax administration
- Enhancing customs controls and services
- Strengthening the technological, institutional and operational environment
- Project Management & Capacity Building

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Project Cost</td>
<td>153.00</td>
</tr>
<tr>
<td>Total Financing</td>
<td>153.00</td>
</tr>
<tr>
<td>of which IBRD/IDA</td>
<td>153.00</td>
</tr>
<tr>
<td>Financing Gap</td>
<td>0.00</td>
</tr>
</tbody>
</table>

DETAILS

World Bank Group Financing

| International Bank for Reconstruction and Development (IBRD) | 153.00 |
Environmental and Social Risk Classification

Moderate

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

Costa Rica is one of the most politically stable, progressive, and prosperous nations in Latin America and the Caribbean (LAC). Successive governments have prioritized social welfare and development of the Costa Rican people. Political stability, the social compact, and steady growth have resulted in one of the lowest poverty rates in LAC with strong income growth among the 40 percent of the population with the lowest incomes. Costa Rica’s outward-oriented policies have transformed its economy.

Despite these achievements, Costa Rica is showing symptoms of structural problems that could threaten the sustainability of its development. Growth—which was robust at 4 percent on average between 2010 and 2016—slowed to 2.6 percent in 2018 and 1.4 percent in the first half of 2019. This weakening fiscal situation increased financial costs to the economy and impacted investors’ and consumers’ confidence, decelerating internal demand. Fiscal pressures threaten to undermine the sustainability of the country’s social compact and green trademark and prevent it from undertaking much needed investments in public infrastructure. GDP growth for 2019 is projected to be 2 percent, and to recover to 2.5 percent in 2020 and 3 percent in 2021. Addressing fiscal constraints and introducing evidence-based policymaking are essential elements of the Government’s institutional agenda. Major structural measures have been legislated to stabilize public finance and decarbonize the economy. Costa Rica has already started implementing key reforms and has set bold targets to reform sectors and achieve net zero emissions by 2050.

The Organization of Economic Cooperation and Development (OECD) accession process, dating from 2015, provides an anchor for Costa Rica’s efforts to boost productivity and modernize institutions. Costa Rica has recently approved reforms in the areas of competition, fisheries, central bank independence, the national banking system, securities market regulation, and vocational education and training. The ambitious modernization program also includes public employment reforms, labor market reforms, consolidated supervision for financial sector entities, simplifying business procedures, and harmonizing statistics. The Government expects to complete the accession process in the first semester of 2020.

Prospects for an improved fiscal outlook are subject to significant domestic risks. These include a complex political context that could lead to growing public discontent, especially given the recent increase in unemployment. The authorities plan to mitigate these risks by continuing to anchor reforms in the OECD accession process, which commands wide support, and engaging in broad consultations. Urgent efforts are needed to improve public sector management, increase domestic resource mobilization, and optimize public spending. These are key conditions for Costa Rica to resolve its fiscal and growth challenges.
Sectoral and Institutional Context

Increases in public spending since 2010, together with weak revenue collections, have led to high and persistent fiscal deficits. Costa Rica’s fiscal performance has deteriorated markedly since the international financial crisis of 2008/2009. The Government adopted a counter-cyclical fiscal stance, which helped the economy bounce back, but its reliance on current spending led to a sharp deterioration in its fiscal position. The central government’s budget went from a fiscal surplus of 0.6 percent of GDP in 2007 to a deficit of 6.2 percent of GDP in 2019 and has averaged more than 5 percent of GDP since 2010. The public debt-to-GDP ratio of the central government soared from less than 25 percent to 53 percent, and debt levels stood at 56.6 percent of GDP in 2018—the difference explained mainly by the borrowings of the Central Bank and the country’s electricity state-owned enterprise (SOE).

The Legislative Assembly approved a major fiscal reform in December 2018, the first in more than two decades. The reform included revenue increases and spending containment measures designed with careful attention to their distributional impacts. It replaced the sales tax with a value-added tax (VAT) while broadening the tax base to include services (limiting the impact of this reform on the poor with exemptions and reduced VAT rates for health services and pharmaceuticals); broadened the income tax base, increasing rates for the upper-income levels; capped bonuses and froze public sector hiring; and introduced fiscal rules constraining current spending growth for the non-financial public sector to the average nominal growth of GDP over the previous four years or less. In parallel, the authorities launched a thorough modernization process for tax collection covering both tax and customs administration.

Costa Rica’s tax revenues are low compared to peers and insufficient to finance the country’s development needs. Tax revenue has been below 14 percent of GDP during the 2009–18 period (about 26 percent of GDP including social security contributions). While Costa Rica finances health and education services generously compared to regional OECD peers, public investment, at about 4 percent of GDP, is low compared to about 5–6 percent of GDP in Peru and Chile, where public investment is even higher if public-private partnerships are taken into account.

Low tax collection is due, in part, to weaknesses in the structure of the tax system, extensive exemptions, excessive complexity, a narrow base, and low tax productivity. Since 1953, the Legislative Assembly has approved over 1,259 tax exemptions that amount to more than 5.6 percent of GDP. Consequently, the policy gap between potential and actual General Sales Tax revenue is substantial, averaging about 4 percent of GDP from 2012 to 2016 according to IMF estimates. The multiplicity of tax exemptions introduces complexity and distortions to the tax system, increases compliance costs, and makes the tax system harder to administer. Exemptions to labor income hamper personal income tax collections. Corporate taxes account for less than one fifth of total revenues (compared to over a third in OECD countries).

Low revenue collection is also due to poor compliance. The Costa Rican General Directorate of Taxation (Dirección General de Tributación, DGT) estimates that tax evasion and avoidance amounted to 8.2 percent of GDP. The OECD estimates that, in 2014, a quarter of corporations and almost one-fifth of self-employed professionals did not file income taxes, while 14.4 percent and 20 percent respectively did not file sales taxes, and 55 percent of persons with profitable professional service activities declare zero income tax. The IMF calculates that the sales tax compliance gap was 31 percent in 2016, equivalent to 1.9 percent of GDP (an increase over the 29 percent gap estimated for 2012). The integrity of the tax system is undermined by a large

informal economy and non-compliant practices such as unregistered companies, undeclared income, excessive deductions, abusive tax planning, fraudulent refunds, and other forms of tax fraud.

A recent Tax Administration Diagnostic Assessment Tool (TADAT) assessment highlights weaknesses in tax administration systems and practices. Costa Rica performed well in the areas of tax filing and tax payment, largely owing to the introduction of an online payment portal in early 2018 now used by most tax payers. Identified weaknesses include: insufficient effort to identify new taxpayers to broaden the tax base; inadequate controls in DGT’s operational and financial activities; limited coverage of tax inspections (9.39 percent of large taxpayers and 0.07 percent of other taxpayers); lack of adequate omission controls with only 19 percent of omitted declarations regularized; and inadequate risk management systems. DGT does not have a comprehensive compliance strategy in place for combating tax evasion and avoidance.

Customs operations in Costa Rica are costly and inefficient. In 2017, Congress ratified the World Trade Organization (WTO) Trade Facilitation Agreement (TFA) and established a National Trade Facilitation Council (Consejo Nacional de Facilitación del Comercio, CONAFAC) to support its implementation. The General Customs Directorate (Dirección General de Aduanas, DGA) has developed a Single Window for Foreign Trade to enable e-payment, has implemented a digital signature system, and has made progress on certification processes for authorized economic operators. However, Costa Rica’s score on the “Trading Across Borders” indicator in Doing Business 2020 is 77.6, ranking 80 out of 190 economies. Both the time and cost to export from Costa Rica exceed OECD country averages. Doing Business 2020 reports that it takes 20 hours to complete the clearance process for exports (of which 1.8 hours are spent in customs) and 80 hours to complete the clearance process for imports (of which 72 hours are spent in customs). This performance is due in part to the DGA’s complex and redundant procedures and manual controls. Information provided to traders, logistics operators, brokers, and other clients is often insufficient to support compliance. As a result, clearance and inspection processes are slow and expensive compared to those in OECD countries. There is room to improve on trade facilitation, particularly as it relates to cooperation and coordination of all cross border regulatory agencies and logistics operators involved in the clearance process, harmonization and multi-modal access to data, and implementation of a risk management model based on advance information and coordinated single inspection of cargo.

The lack of an effective risk management system undermines operational efficiency in customs. The current risk management tools do little to strengthen customs controls or ease trade. The DGA and Fiscal Control Police (Policia de Control Fiscal, PCF) use elements of risk analysis to guide control actions. However, they only partially apply them. A 2016 study on customs operations published by the General Comptroller Office concluded that it was impossible to find a statistically significant impact of the “red channel” (physical review of cargo) on tax collection. In 2017, the percentage of inspections was 10 percent (9 percent red and 1 percent yellow), and the success level of examinations, or hit rate, was just 3.2 percent.

Earmarking, mandated spending and incremental budgeting limit the Government’s ability to allocate resources in line with policy needs and priorities. In 2018, constitutional and other legal provisions mandated around 44 percent of central government expenditure. The central government budget does not include several extrabudgetary central agency funds, such as the Road Fund. There is no overall governance structure or policy guidance for a large SOE sector. The Ministry of Finance (MOF) has initiated work on a program budget, working with five pilot institutions. However, effective expenditure planning is still limited, and budgeting is largely incremental and annual. It makes limited use of performance information, spending reviews or program evaluations.

There are significant shortcomings in cash and debt management. Although Costa Rica has implemented a treasury single account (TSA) throughout the central government, including the judicial and legislative branches,
the treasury does not have oversight of all public resources. As many as 53 decentralized entities and 30 non-business decentralized entities, representing 59 percent of public expenditure, are not included in the TSA. The cash management committee does not coordinate well the decisions between treasury and credit, resulting in highly dispersed issuances, fragmentation among instruments and maturities, limited price discovery, and a homogeneous investor base dominated by public entities and commercial banks. These issues lead to high funding costs and vulnerability to exchange rate and refinancing shocks. A debt management strategy was approved in December 2018. Systems will now need to be upgraded to consolidate information and facilitate coordination and market access.

**Control, accounting and financial reporting systems are fragmented.** Multiple human resource management systems coexist. Unreliable personnel data undermines payroll controls and has allowed increases in public sector wages, amounting to 40 percent of total spending, to outpace growth in revenues. Costa Rica adopted the International Public Sector Accounting Standards (IPSAS) in 2008 and the Law on Strengthening Public Finance of 2011 sets January 1, 2023 as the deadline for their implementation. Considerable work is needed to integrate information systems so that financial information can be consolidated and accessed in real time. Currently, some critical accounting and financial reporting functions are undertaken manually using spreadsheets.

**Outdated information technology hinders revenue and expenditure management.** Aging, end-of-life products form the backbone of the MOF’s current information technology (IT) systems. The Integrated Financial Management System (Sistema Integral de la Gestión de la Administración Financiera, SIGAF) has been in place since 2007. It is a hybrid solution based on custom-developed software using MS SQL and some SAP modules. SIGAF is no longer fit for purpose and requires modernization to address weaknesses in expenditure control and reporting. DGT runs six tax administration IT applications that are not well integrated. The only modern IT system in use is a taxpayer electronic filing system. Payment data is entered manually for taxpayer accounts. This practice is onerous and prone to data entry errors. Taxpayer registration and tax management systems are poorly integrated, leading to incomplete and inaccurate registries. The bespoke Information Technology for Customs Control (Tecnología de Información para el Control Aduanero, TICA) system, developed in the 1990s, does not cover many processes and procedures, hindering control and contributing to delays in border clearance. Audits of the system have revealed serious security concerns. The system does not function well on mobile devices or tablets, and the main site itself does not respond quickly and effectively to clients. DGA’s application portfolio does not include tools—such as apps, websites viewable on mobile devices, and service chats—that are common in many other countries.

**IT systems have extremely limited interoperability.** On the revenue side, DGA and DGT manage their information systems independently, and the exchange of information is minimal. This leads to data duplication, fosters under-invoicing and low collection, and makes it difficult to identify tax evasion and monitor exemptions. The customs IT system is not interoperable with the National Trade Single Window or logistics systems for cargo tracking. On the expenditure side, there is no integration across the different public financial management (PFM) systems. This causes serious difficulties during budget preparation and execution and weakens debt management because data on accruing debt are not integrated or maintained. The MOF’s IT systems and data infrastructure are highly vulnerable to disasters.

**Human resource management is poorly equipped to support fiscal reform and technological modernization.** The MOF’s Directorate of Technologies and Communication (Dirección de Tecnología y Comunicación, DTIC) lacks the staff and resources needed to design and manage IT systems that obtain and utilize information in the quantity and quality necessary. There is limited technical capacity to manage compliance risks, optimize use of resources, or assure sustainability. The General Directorate of the Civil Service (Dirección General de Servicio
Civil, DGSC), which is responsible for managing staffing of all Central Government, operates a rigid HR system that minimizes opportunities for favoritism and nepotism at the cost of quality. Professional-grade staff are recruited through generic examinations and are assigned to government agencies without consideration of technical requirements. Examinations for internal competitions do not assess skills or technical knowledge. There is no credible performance or career management framework in place, nor is there an internal capacity development or knowledge management program for MOF administration staff. Promotions depend on seniority rather than on technical knowledge or performance. The 2018 Law on Strengthening Public Finances requires the implementation of a performance evaluation scheme, which is currently being defined. The Government has presented Congress with a draft of the Public Employment Law, which aims to modernize the management of public sector HR by introducing policies to address many of the weaknesses outlined above. Implementation will require guidance and resources.

The Ministry of Finance has requested the World Bank’s support for the design and implementation of reforms to address these revenue and expenditure management challenges. The Ministry’s strategy builds on the Government’s 2019-2024 transformation roadmap for MOF, DGT and DGA and the Digital Finance vision reached through a broad consultative process. The reforms seek to increase revenues through improvements in voluntary compliance and improve the policy alignment and quality of public spending. The reforms encompass changes in regulatory and institutional framework for revenue and expenditure management, significant investments in the modernization and integration information systems and fundamental changes in organizational culture. The Ministry seeks to instill a service culture in tax and customs administration recognizing tax payers as clients. Strengthened risk management practices and the use of business intelligence systems will help combat tax and customs evasion. Information will be shared across the Ministry and with external stakeholders. Fiscal policy will be evidence-based. Planning and budgeting will be aligned with policy and take a medium-term, results-oriented perspective that supports the Government’s sustainable development objectives. This transformation in the way that the Ministry of Finance operates will require a substantial investments in information technology and a sustained commitment to change management and capacity building.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The Project Development Objective (PDO) is to improve efficiency, effectiveness and client orientation of tax and customs administration and public expenditure management.

The PDO will be achieved through the modernization and digitalization of the Ministry of Finance. This will facilitate tax and customs services and payments, reduce fiscal evasion, improve budget efficiency, strengthen debt management, and transform the Ministry of Finance’s institutional culture to place the citizens at the center as clients.

Key Results

Achievement of the PDO will be assessed on the basis of the following indicators:

Efficiency:

- Reduction of operating costs of the tax and customs administration relative to revenue
- Reduction in the time to produce consolidated financial statements

Effectiveness:
o Reduction in evasion of Value Added Tax
o Reduction in evasion of Corporate Income Tax
o Share of the General Government Budget executed through IFMIS

Client orientation:

o Reduction in the taken time to pay Value Added Tax
o Reductions in the time taken for customs clearance.

D. Project Description

The six-year Investment Project Financing (IPF) operation comprises five components.

Component 1: Strengthening public expenditure management

This component will strengthen the capacity of MOF in the areas of fiscal policy and planning, expenditure management and control. The component will support the reorganization of Public Financial Management (PFM) functions and practices, capacity building and information technology systems. It will promote evidence-based decision making and mainstream climate change and gender considerations in PFM. Key activities under this component include:

i. Improvement of the policy alignment and effectiveness of public expenditure.
ii. Improvement of the functional integration, reliability and timeliness of PFM information and processes throughout the public expenditure cycle encompassing: budget formulation, budget execution, accounting, treasury, public investment, payroll and asset management.
iii. Strengthen management of the PFM cycle through renewal of PFM information systems and enhancements in functionality, technology and interconnectivity.

Component 2. Enhancing efficiency and client orientation of tax administration

This component will improve the operational capacities of the DGT and DGH to increase control coverage, facilitate voluntary compliance among taxpayers and reduce compliance gaps. It will achieve this by strengthening the central processes and information systems that support management, collection and tax control, and by guaranteeing interoperability among procedures and services of the institutions. The provision of services to taxpayers will be improved to minimize compliance costs, limit tax evasion practices and ensure service continuity in the events of natural disasters. This is expected to enhance voluntary compliance and satisfaction among taxpayers. Key activities under this component include:

i. Mapping and reengineering of core tax administration business processes
ii. Development of functional and technical requirements and bidding documents for new tax system
iii. Implementation of an integrated tax information management system to automate the refined processes and support the planning, execution, control and monitoring of fiscal management
iv. Development of a robust taxpayer current account and an integrated tax compliance model
v. Improvement of taxpayer services
vi. Implementation of client-facing applications
vii. Strengthening of compliance management by introducing a targeted, risk-based compliance strategy
viii. Introduction of advance audit techniques

Component 3. Enhancing customs controls and services
This component will strengthen DGA and PCF procedures, controls and services to facilitate trade and enhance the business environment and sustain revenue collection. It will do so by implementing activities that focus on introducing risk-based streamlined clearance and control procedures that reduce traders’ effort and time to comply with import, export and transit formalities and procedures. Key activities under this component include:

i. Mapping and reengineering of core customs administration business processes
ii. Replacement of the TICA system
iii. Enhancement of cooperation and training across sectors.
iv. Streamlining client-facing services and applications to facilitate trade transactions and access to information.
v. Development and implementation of a robust risk management framework

**Component 4. Strengthening the technological, institutional and operational environment**

This component will strengthen the Ministry of Finance’s human resource management function, modernize and integrate its technological infrastructure and support reform operations and change management. Key activities under this component include:

i. Development and implementation of an integrated HR management strategy and HRMIS
ii. Modernization of MOF’s ICT infrastructure as well as the operational model and institutional capacities to support the digital transformation agenda
iii. Design of an Enterprise Architecture
iv. Design and Implementation of a data analytics platform for revenue and expenditure administrations
v. Carry out a Project Management and Quality Assurance (PMQA) consultancy

**Component 5. Project Management and Capacity Building**

This component supports project coordination and management to ensure successful and timely delivery of all project activities and results.

---

**Legal Operational Policies**

| Operational Policy | Triggered?
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects on International Waterways OP 7.50</td>
<td>No</td>
</tr>
<tr>
<td>Projects in Disputed Areas OP 7.60</td>
<td>No</td>
</tr>
</tbody>
</table>

**Summary of Assessment of Environmental and Social Risks and Impacts**

**E. Safeguards**

Environmental and social safeguards due diligence for this project has been carried out under the World Bank’s Environment and Social Framework. Five Environmental and Social Standards (ESS) are relevant to the Project: ESS1 Assessment and Management of Environmental and Social Risks and Impacts, ESS2 Labor and Working Conditions, ESS3 Resource Efficiency and Pollution Prevention and Management, ESS7 Indigenous Peoples, and ESS10 Stakeholder Engagement and Information Disclosure. The Project does not involve civil works, land acquisition and displacement, or a physical footprint in protected areas or in areas where indigenous people are present or have collective attachment.
The Project’s social risk classification is Moderate and environmental risk classification is Low, as described in the following paragraphs. Consequently, the overall environmental and social risks classification of the Project is Moderate.

The Project is expected to generate mainly positive social impacts through: (i) strengthened capacity to efficiently allocate scarce public resources, therefore leading to improved delivery of essential public services; (ii) improved fiscal position due to better expenditure management and increased tax and customs revenue collected, which is expected to help protect past gains from reductions in poverty and inequality and support the sustainability of the country’s Social Compact, Green Trademark, and future progress overall, and; (iii) savings to taxpayers in terms of the reduction of time required to clear customs and pay taxes from more efficient and effective tax administration processes. Improving expenditure efficiency and fiscal sustainability practices will not only lead to a more effective use of resources available but will also strengthen public accountability and transparency of public finances. Improvements in taxpayer services are expected to benefit certain types of firms that may currently face a disproportionate tax compliance burden, for example small-businesses and female-led businesses – by addressing and reducing the barriers they face as taxpayers. The main social risks associated with the proposed Project include: (i) resistance to proposed Project activities from taxpayers currently not in compliance with the tax code, as well as push back from specific stakeholder groups, such as importers-exporters, auxiliary agents (customs brokers, bonded warehouses, etc.) ; (ii) potential exclusion of taxpayers and groups or individuals who participate cross-border activities and who lack access to internet or technological resources, particularly affecting vulnerable groups and indigenous peoples; (iii) the possibility that enhanced tax compliance will imply short-term income impacts that would disproportionately affect poor or vulnerable taxpayers, such as indigenous and female-headed households and/or SMEs and; (iv) potential job loss within the MoF as a result of improvement and automation of core processes.

The main identified potential environmental risks are related to (a) management and disposal of electronic waste (e-waste) which may potentially be generated due to acquisition of new ICT and security equipment under the Project, and therefore decommissioning and disposal of old equipment; and (b) occupational health and safety (OHS) issues associated with installation as well as ongoing use of equipment including at customs laboratories. The MoF has prepared and disclosed an advanced draft Social Assessment based on consultations with prioritized stakeholders to assess the potential social risks and impacts associated with the Project. The Borrower has also prepared an advanced draft of the Stakeholder Engagement Plan (SEP) identifying project stakeholders and outlining strategies for consultation and information disclosure, as well as describing a project-level Grievance Redress Mechanism (GRM). The draft SEP was also disclosed prior to appraisal. Updated versions of the SA and SEP, incorporating the decisions taken during project appraisal and negotiations will be disclosed no later than three months after project effectiveness. Results from preliminary consultations with IP leaders and representatives have also informed the preparation of a draft Indigenous Peoples Planning Framework (IPPF), which identifies broad potential risks and impacts and provides guidelines for culturally appropriate consultations and will inform the preparation of an Indigenous Peoples Plan (IPP) during project implementation to develop specific activities in a participatory way to ensure the inclusion of IPs as equal project beneficiaries. The draft IPPF will be disclosed prior to board approval, and an updated version no later than three months after effectiveness. The IPP will be prepared and disclosed during project implementation. In addition, the Borrower will also prepare Labor Management Procedures (LMP) no later than three months after the Project’s effectiveness date, which will include OHS measures, outline how the Project will manage different kinds of project workers, and describe a GRM accessible to project workers.

Budget for the implementation of measures under the E&S instruments has been included as part of project design. The PCU to be established will take responsibility for overall project management, including environmental and social aspects, and will contract relevant experts to guide on ESF related issues by the Project’s effectiveness date and will be maintained throughout implementation. On environmental, health and safety (EHS) capacity, given that the Project environmental
risk is expected to be low, and considering generally strong national systems, there will only be a need for an intermittent EHS specialist on the Project. With respect to social management capacity, the Project will have a full-time social specialist to support implementation and monitoring of risk mitigation mechanisms identified under the Project’s social instruments. The social specialist will be engaged by the Project’s effectiveness date and will be maintained throughout implementation. The borrower will submit to the Bank regular monitoring reports on the environmental, social, health and safety (ESHS) performance of the Project, including but not limited to the implementation of the ESCP, status of preparation and implementation of E&S documents required under the ESCP, stakeholder engagement activities and the functioning of the grievance mechanisms.

F. Implementation

Institutional and Implementation Arrangements

The Ministry of Finance will be the implementing entity for the Project.

The Government will prepare a Fiscal Management Strategy for the period covered by the Project. The Fiscal Management Strategy will encompass reforms in public financial management, tax administration and customs administration and the development of supporting information systems.

A Steering Committee (SC) will set the project’s strategic direction and Operations Committee (OC) will oversee implementation. The SC will be chaired by the Minister of Finance and will include the Vice Minister of Revenues, the Vice Minister of Expenses and other relevant stakeholders as needed. The SC will be responsible for the overall policy coordination and policy guidelines for MOF reform, provide strategic guidance, set priorities, resolve conflicts and ensure inter-ministerial collaboration where needed and monitor progress of the project. An Operations Committee (OC) will oversee the implementation of the Project and will make decisions related to Project activities involving multiple directorates. The OC will comprise senior representatives from the Vice Ministry of Revenues (DGT, DGA, DGH and PCF) and the Vice Ministry of Expenses (Public Credit, National Treasury, Accounting, National Budget). Representatives of the private sector, international organizations and recognized experts will be invited to participate in selected SC and OC meetings to provide for advice and feedback on the project and MOF’s reform efforts.

A Project Coordination Unit (PCU) will be established within the MOF. The PCU will be headed by a Project Director. The Project Director will be part of the Steering and Operations Committees and report directly to the Minister of Finance. The PCU will be responsible for: implementation planning; day-to-day management of the project; monitoring and reporting; management of the project’s human and financial resources; and coordination with implementation teams.

The MOF Directorates will be responsible for project implementation in their areas of technical competence. The project has been structured so that institutional responsibility for components, sub-components and activities is clearly assigned to specific directorates. Four technical teams, each led by a resident senior technical advisor reporting the respective Director, will support the Directorates in project implementation. The technical teams will advise on reform implementation drawing on international experience, help oversee the work of short-term consultants and engage in on-the-job and formal training activities as required.

CONTACT POINT
World Bank

Ruxandra Burdescu
Senior Public Sector Specialist

Mayra Del Carmen Alfaro De Moran
Senior Private Sector Specialist

Borrower/Client/Recipient

Republic of Costa Rica
Mariana Ramirez Ortiz
PIU
ramirezom@hacienda.go.cr

Implementing Agencies

Ministry of Finance
Rodrigo Chaves
Minister of Finance
ramirezom@hacienda.go.cr

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects

APPROVAL

Task Team Leader(s):
Ruxandra Burdescu
Mayra Del Carmen Alfaro De Moran

Approved By

Environmental and Social Standards Advisor:

Practice Manager/Manager:

Country Director: Andrea C. Guedes 21-Feb-2020