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El Salvador Fiscal Policy and Expenditure Management Program (FPEMP)

Quarterly Report
December – February 2013

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FISCAL POLICY AND EXPENDITURE MANAGEMENT PROGRAM (FPEMP)

QUARTERLY REPORT
December - February 2013

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ACRONYMS

AECID	Spanish International Cooperation
CAPRES	Presidential House
CSMS	Case Selection Management System
DAI	Development Alternatives Incorporated
DFD-MH	MOF Training and Human Talent Development Department
DGCG	General Directorate for Government Accounting
DGICP	General Directorate for Public Investment and Credit
DGII	General Directorate for Internal Revenue
DGP	Budget General Directorate
DGPEF	General Directorate for Fiscal and Economic Policy
DGT	Treasury General Directorate
DINAFI	National Directorate for Financial Administration
EU	European Union International Cooperation
FP EMP	Fiscal Policy Expenditure Management Program
GIZ	German International Cooperation
GOES	Government of El Salvador
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IRM	Information Resource Management
IT	Information Technology
IVP	International Visitors Program
MOF	Ministry of Finance
PFG	Partnership for Growth
ROB	Result-oriented Budget
SAFI	National Financial Management System
TCA	Taxpayer Current Account
TRS	Taxpayer Registration System
TSA	Treasury Single Account

UNAC

National Procurement Office

USAID

United States Agency for International Development

WB

World Bank

Executive Summary

The United States Agency for International Development (USAID) signed a contract with Development Alternatives Inc. (DAI) on June 10, 2011 to design and implement a program for modernizing and improving fiscal policy and expenditure management in El Salvador.

The purpose of the Fiscal Policy and Expenditure Management Program (FPMP) is to support a technical assistance program to the Government of El Salvador (GOES) Ministry of Finance (MOF) in the areas of public expenditure management systems, tax policy and administration and public-private dialogue between the government, the private sector and civil society. The main counterpart for these activities is the MOF.

FPMP has three main components. These are:

1. Component A: Enhanced Public Expenditure Management
2. Component B: Improved Revenue Mobilization
3. Component C: Strengthened Private Sector Engagement

Highlights for December to February 2013, the seventh quarter of the program, are listed below:

Quarterly results

- Obtained agreements with the DGCG regarding the IPSAS adoption project
- Supported the development of the accounting conceptual framework for SAFI II
- Completed modifications to the TSA conceptual model
- Secured agreements with the DGP Director in regards to the budget modernization project
- Developed the DGP administrative modernization proposal
- Completed the TRS and TCA application update
- Completed the CSMS II fiscal compliance module
- Deployed three CSMS II modules: selector module, management module, and fiscal compliance module
- Launched the TRS and TCA cleaning project
- Developed curricula for DINAFI, UNAC, DGCG, DGICP, DGPEF and DGP
- Conducted training on curricula development for the MOF Human Resources Department
- Approved all the logistics to facilitate the implementation of the EXPRESATE project

Other Activities Performed

- IPSAS adoption project and Costa Rican IPSAS policy manual access approval

- TSA implementation project
- Budget modernization project
- Support for the SAFI II budget formulation module and budget catalogues module
- PFG goal 4 follow up
- Component A IT implementation
- TRS and TCA upgrade stabilization project
- TRS and TCA cleaning process project
- CSMS II modules stabilization process
- Follow-up to the improvements of the TCA procedures
- Support for the collections call center expansion
- Component B IT implementation
- EXPRESATE project
- MOF career plan development
- Development of the DFD-MH computer lab
- Incorporation of local governments within the fiscal transparency initiative
- Component C IT implementation

Introduction

This report covers FPEMP activities during the period from December 1, 2012 to February 28, 2013. The program began on June 10, 2011, when USAID and DAI signed the contract. The program is for four years with an optional fifth year. The four-year base period concludes on June 9, 2015.

USAID commissioned DAI and its FPEMP team to design and implement a program for modernizing and improving public expenditure management, tax policy and administration, and strengthen public-private sector dialogue in El Salvador. The program goals are to build a modern and transparent public expenditure system that follows the best international practices, to strengthen tax policy and administration, to improve revenue collection, and to facilitate private sector outreach.

FPEMP hereby presents progress in activities, according to the program's three components:

- Component A: Public expenditure management
- Component B: Tax revenue mobilization
- Component C: Private sector outreach

During this quarter, FPEMP assisted the MOF in achieving important progress in the adoption of the International Public Sector Accounting Standards (IPSAS), the implementation of the Treasury Single Account (TSA), and the modernization of the budget system. Other areas that also moved forward during this quarter include: the clean-up of the Taxpayer Registration System (TRS) and Taxpayer Current Account (TCA), the upgrading and updating of the Case Selection Management System (CSMS), the reform of the MOF Human Resources system, the MOF Training and Human Talent Development Department (DFD-MH) modernization, and the fiscal transparency project, among others.

Additionally, FPEMP continued working on donor coordination activities with the European Union International Cooperation (EU), German International Cooperation (GIZ), Spanish International Cooperation (AECID), Inter-American Development Bank (IDB) World Bank (WB), and the International Monetary Fund (IMF).

Component A – FPEMP continued supporting the IPSAS adoption project, the accounting conceptual framework development, and the evaluation of the alternatives for the accounting policy manual development strategy.

Regarding the TSA implementation project, the program made the necessary changes to the conceptual model upon Treasury General Directorate (DGT) request and continued providing follow-up to the TSA implementation recommendations and the DGT reform proposal.

On the budget modernization project, FPEMP developed several proposals for the administrative reform of the Budget General Directorate (DGP) and made the necessary presentations to the DGP Directors and staff in order to obtain approval and move forward with the project.

Additionally, the program continued coordinating the agreed tasks with GIZ, as part of the donor coordination efforts, in order to move forward with the budget modernization project.

Finally, the program purchased the Information Technology (IT) equipment that will be donated to DGP, General Directorate for Government Accounting (DGCG), and DGT to support the program activities.

Component B – During the quarter the program continued to make progress in carrying out tasks under this component. The FPEMP IT staff continued supporting the TRS and TCA upgrades stabilization, and the TRS and TCA cleaning project was officially launched. The Vice Minister of Revenue, USAID and MOF executive staff attended the launch event on February 11 at the program office.

Furthermore, the program worked closely with the MOF in addressing the long term issues that continue affecting the TCA reliability related to the banks data transfer of received tax returns and tax collections, the General Directorate for Internal Revenue (DGII) and DGT information interface, the data entry, and the TRS cleaning process. It is expected that all the issues will be resolved by July 2013.

Regarding the CSMS II, the program completed the development of the fiscal compliance module and in coordination with the DGII deployed the three developed modules (selector, management, fiscal compliance). Currently, the FPEMP IT staff is supporting the system stabilization on an ongoing basis.

The Vice Minister of Revenue requested the support of FPEMP to expand the Treasury's Collection Call Center that the program established in the previous year. The Vice Minister was pleased and impressed with the results. In four months, the call center collected more than \$1 million, and it is currently supporting the MOF in the collection of \$22 million in tax arrears. These results were achieved with just one supervisor and three officials. In fact, during the past year the MOF has collected more than the attorney's office, which employs a staff of more than 45 attorneys.

Finally, the program purchased the IT equipment that will be donated to DGII to support the program activities.

Component C – FPEMP continued work on the fiscal transparency project, including the development of a proposal to include the municipalities' data in the MOF fiscal transparency portal. The draft agreement was submitted to the Vice Minister of Finance for approval. Additionally, the program continued working on the enhancement of the fiscal transparency portal.

Regarding the EXPRESATE project, the contractor tasked with furnishing the facilities initiated its work. The facilities will be officially launched in March 2013.

Work on the DFD-MH modernization project continued in the quarter, including activities to establish the DFD-MH computer lab.

Regarding the modernization of the MOF Human Resource System, the program made the necessary changes to the MOF technical area employee profiles that were developed and submitted to the MOF for implementation and gained consensus on the implementation tasks from the Presidential House (CAPRES) and the MOF. Additionally, the program continued developing the Directorates curricula for the National Directorate for Financial Administration (DINAFI), the National Procurement Office (UNAC), the DGCG, the General Directorate for Public Investment and Credit (DGICP), the General Directorate for Fiscal and Economic Policy (DGPEF), and the DGP.

Finally, the program purchased the IT equipment that will be donated to the MOF to support the EXPRESATE project and the DFD-MH computer lab.

COMPONENT A: Public Expenditure Management

FPEMP continued supporting the MOF in advancing its public expenditure management reform agenda, striving to achieve a budget process that is more effective, transparent, innovative, and responsive. Among others, FPEMP supports the MOF in implementing a Results-Oriented Budget (ROB), improving treasury operations, modernizing government accounting through IPSAS adoption, and enhancing its financial management information system.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

FPEMP accomplished several important tasks under Component A during the quarter, including:

- **Agreements reached with the DGCG Directors regarding the IPSAS adoption project** – During the quarter, FPEMP reached agreements with the DGCG Directors regarding the IPSAS adoption project. The DGCG agreed to review the FPEMP accounting consultant Carmen de Palladino’s recommendations for the accounting conceptual framework for the National Financial Management System (SAFI) II. In addition, they agreed to begin work on the general accounting policy manual starting in April with the support of Ms. Palladino. The program will support the MOF by obtaining approval from the Costa Rican MOF to use the Costa Rican accounting policy manual as a base for the Salvadoran manual development. The manual is expected to be finished by September 2013.
- **Support the development of the accounting conceptual framework for SAFI II** – During the quarter, FPEMP accounting consultant Carmen de Palladino supported the development of the accounting conceptual framework. FPEMP consultant Ms. Palladino made several recommendations, such as explaining the difference between adoption and harmonization of IPSAS, explaining the accounting legal framework, units of the accounting registry, the implementation of a single chart of accounts, the functional classifier, and financial statements consolidations, among others. The DGCG agreed to review the recommendations.
- **TSA conceptual model modification** – In this quarter, the FPEMP TSA consultant Jorge Domper finalized the development of the TSA conceptual model and presented it for DGT Director approval. The Director requested some minor changes, and the program consultant made the changes and submitted them to the MOF. The TSA conceptual model was also integrated into the SAFI II conceptual model.
- **Agreements reached with the DGP Directors about the budget modernization project** – During the quarter, FPEMP reached agreements with the DGP Directors on the budget modernization project. The DGP and FPEMP agreed to change the dates for the development of the manuals and implementation of the Medium Term Expenditure Framework.
- **Development of the DGP administrative modernization proposal** – During the quarter, FPEMP developed the DGP administrative modernization proposal. The DGP Directors agreed to review the proposal in order to take a decision as soon as possible.

ACTIVITIES/WORK IN PROGRESS

The following paragraphs contain a short description of activities in progress during the quarter for Component A:

- **IPSAS adoption project and Costa Rican IPSAS policy manual access approval** – The Costa Rican Government has already embarked on the effort to produce a comprehensive IPSAS policy manual, which will be completed by mid-April 2013. This manual is very similar to what is needed at the DGCG in El Salvador. Therefore, FPMP proposed to the DGCG the use of the Costa Rican IPSAS policy manual as the basis to produce the Salvadoran IPSAS policy manual. The DGCG team and the FPMP accounting consultant Carmen de Palladino (who developed the Costa Rican manual) would use the Costa Rican manual as the base document, making the necessary changes to adopt it to the context of El Salvador. The MOF is enthusiastic with the proposal and agreed with the recommendation. The program is now making the necessary contacts to secure approval from the Costa Rican MOF.
- **TSA implementation project** – The program continued providing follow-up to the TSA implementation. It is expected that the pilot will begin in March 2013, and the pilot will include three GOES entities. The second implementation phase will be carried out in July 2013.
- **Budget modernization project** – The program continued providing follow-up on the budget modernization project. During the quarter, the program developed the DGP administrative modernization proposal. It is expected that by March 2013 the DGP will review and approve the initiative. In addition, the DCOP continued providing follow-up on the tasks that GIZ had agreed on previously.
- **Support the design of the SAFI II budget formulation module and budget catalogues module** – During the quarter, FPMP continued supporting the design of the SAFI II budget formulation module and budget catalogue module. The program supported the DINAFI design teams' creation. In addition, the program will conduct an International Visitors Program (IVP) to Argentina for participants to learn about the Argentinian Integrated Information System. It is expected that the budget catalogues will be completed by March 2013 and the budget formulation module by June.
- **Partnership for Growth (PFG) goal 4 follow-up** – The program continued following up on the PFG goal number 4 milestones from the period of November 2012 to May 2013. Due to the agreements obtained with the DGCG and DGP Directors, some milestones have changed. The new delivery dates have been communicated to the DGPEF and USAID for further review.
- **Component A IT implementation** – The program continued working on the Component A IT implementation. During the quarter, the equipment was procured, and it is expected that it will be received, installed and configured in the next quarter.

NEXT STEPS

The main activities for the next quarter are:

- **Support the development of the general accounting policy manual** – In the next quarter, FPMP accounting consultant Carmen de Palladino will begin supporting the general accounting policy manual development. The project expects to obtain the support of the Costa Rican MOF by obtaining access to the IPSAS policy manual. In the following quarter, the program will continue working on obtaining this approval.
- **Training on financial instruments** – During the next quarter, the FPMP accounting consultant Carmen de Palladino and the FPMP financial instruments consultant will deliver training on financial instruments under IPSAS. The training will be attended by 30 MOF officials. The attendants will learn about simple financial securities, financial leasing, loans interest accounting record, financial risk management and exposure, and derivative financial securities.
- **IVP to Argentina to learn about the Argentinian TSA system** – During the next quarter, the program will conduct an IVP to the Argentinean Treasury Office that will be attended by the Vice Minister of Revenue, the DGT Director, the DGT IT Manager and the COP. The attendants will learn about the TSA system implementation, the payments system, financial management operations, the detailed organization structure of the Treasury Office, financial programming, the automated bank reconciliation process, and bank accounts management in a TSA system.
- **IVP to Argentina to learn about the Argentinean Integrated Financial Information System** – In the next quarter, FPMP will conduct a separate IVP to Argentina to learn about the Argentinean Integrated Financial Information System that works in a web environment. The IVP will be attended by the DCOP and 3 DINAFI IT officials. They will learn about the design strategy, the system scope, the system architecture, development methodologies, non-functional requirements, connection between other systems, and the implementation strategy.
- **Design of the strategy for the budget program development in three Ministries** – In the next quarter, the program will design the strategy for the budget program development in three ministries. Currently, the DGP has not chosen which ministries FPMP will be supporting. It is expected that the DGP will make a decision in the next quarter, and FPMP will design the strategy.

COMPONENT B: Tax Revenue Mobilization

FPEMP aims to develop a strong, modern Salvadoran tax administration that is more equitable, efficient and taxpayer-friendly.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

FPEMP accomplished several important tasks within Component B during the quarter, including:

- **TRS and TCA application update completion** – The FPEMP IT staff has completed all the developments first requested by the DGII to support the TRS and TCA cleaning process. In total, the FPEMP developed 12 use cases for the TRS and 11 use cases for the TCA. The developments have introduced new rules, processes and screens. The DGII has stated that they will have more requirements when they complete the system migration process. It is expected that the requirements will be created in July 2013.
- **CSMS II fiscal compliance module completion** – FPEMP completed the CSMS II fiscal compliance module. The module has introduced new control flows to contact the taxpayers when the system is showing inconsistent data. In addition, FPEMP is supporting the DGII in the training of 70 interns that will be using the CSMS II.
- **Deployment of three CSMS II modules: selector, management and fiscal compliance** – During the quarter, FPEMP completed the development of three CSMS II modules. Subsequently, FPEMP worked with the MOF to ensure the necessary logistics were planned for in order to deploy the CSMS II in the production environment. In early February, the CSMS II was successfully deployed in the production environment.
- **TRS and TCA cleaning process project launch** – The program, in coordination with the MOF, officially launched the TRS and TCA cleaning process project. The event was attended by the Vice Minister of Revenue, DGII Directors and staff, GIZ, and USAID. The project will be coordinated by FPEMP TRS and TCA consultant Sandra Urazan. For this task, FPEMP implemented a new area for 26 interns with furnishings that include cubicles, chairs, and a meeting table. These 26 interns are part of the team to undertake the cleaning of the TRS and TCA. The interns were selected in a hiring process in coordination with the MOF TRS and TCA Managers. After the selection, the interns were trained by TRS and TCA staff and signed a confidentiality agreement in order to secure the MOF private information.

ACTIVITIES/WORK PROGRESS

The following paragraphs contain a short description of activities in progress during the quarter for Component B:

- **TRS and TCA upgrade stabilization process** – The FPEMP IT staff has been working in the TRS and TCA application upgrade stabilization process since the completion of the developments. This work will be ongoing.
- **TRS and TCA cleaning process project** – FPEMP has been working on the TRS and TCA cleaning process project. The TRS and the TCA consultant Sandra Urazan has been

coordinating all the activities of the project. For the TRS, there are 21,535 registries that will be cleaned. For the TCA, the registries to clean have not been defined because the DGII has not yet implemented the International Standard Industrial Classification of All Economic Activities update, which was requested during the past year. It is expected that by mid-March the activities will be completed and the list of the registries to clean and update will be provided to the project. Due to these circumstances, it is necessary to extend the cleaning project for an additional month.

- **CSMS II modules stabilization process** – The FPEMP IT staff has been working on the CSMS II stabilization process since the completion of the developments. This work will be ongoing.
- **Follow-up to the improvements of the TCA procedures** – Throughout the past year, the program has been working with the MOF on the correction of several situations that have been polluting the TCA during the last 30 years. The solution are related to:
 1. The implementation of web services with the banks and the MOF collection stands
 2. The implementation of a single payment channel
 3. The implementation of the DGT catalogues in the TCA transactions
 4. The development of a transactions interphase of delinquent taxpayers between DGT and DGII
 5. The standardization of the TCA cleaning protocols
 6. The improvement of the tax returns data entry
 7. Institutionalization of the TRS and TCA clean-up process.

FPEMP's plan was to have these tasks implemented before the manual cleaning process started, but despite the program's efforts, these activities have not yet been completed. This means that once the manual cleaning process ends it is possible that some other taxpayers accounts will be polluted, although it would be to a lesser degree than what exists today. Nevertheless, the good news is that the program secured the commitment of the Vice Minister of Finance to complete these tasks by July 2013.

- **Support the collections call center expansion** – Due to the results achieved by the Collections Call Center implemented by FPEMP in the previous year, the Vice Minister of Revenue requested FPEMP support in expanding the center. So during the quarter, FPEMP made the necessary arrangements with the MOF to establish additional workstations in the space in Tower 2, Level 1, Wing B.
- **Component B IT implementation** – The program continued working on the Component B IT implementation. During the quarter, the equipment was procured and it is expected that it will be received, installed, and configured in the next quarter.

NEXT STEPS

The main activities for the next quarter are:

- **IVP to Ecuador to learn about income tax audit techniques** – FPEMP will put together an IVP to Ecuador that will be attended by the Large Taxpayer Office Deputy Director and two other Large Taxpayer Office officials and hosted by the Internal Revenue Service of

Ecuador. Attendants will learn from the Ecuadorian experience in auditing communication and oil companies, and in the implementation of transfer pricing control techniques. The IVP was scheduled to take place in February 2013; however, due to external factors, the IVP will instead take place in April 2013.

- **Development of the tax audit and customs modules of the CSMS II** – In the next quarter, FPEMP will begin the development of another two modules—the tax audit and custom modules.
- **TCA procedures improvement** – FPEMP will continue to follow up and support the development of the necessary tasks to improve the TCA system by addressing the external issues that pollute the system. As agreed with the MOF, the implementation of the web services for banks and collection stands and the implementation of the single payment channel will be completed in May 2013. In July, the transactions interface platform of delinquent taxpayers between DGT and DGII and the elimination of the tax returns processing gap will be finalized. Additionally, the standardization of the TCA cleaning protocols will be implemented during the first two months of the manual cleaning project.
- **Development of the second phase of procurement for the USAID Information Resource Management (IRM) Office** – In the next quarter, FPEMP will develop the second phase of the procurement for the IRM. FPEMP will develop the procurement plan for the queue management system kiosk and the acquisition of six other kiosks.

COMPONENT C: Private Sector Outreach

In component C, the project continued advocating for a political decision from the GOES in moving forward with a strategy that bridges differences and builds consensus through outreach and dialogue. Despite the fact that no decision has been made so far, FPMP aims to reinvigorate the dialogue between the government, the private sector, and the broader public through the implementation of such alternative strategies as the EXPRESATE, the improvement of the fiscal transparency portal, and the inclusion of the Municipalities in a fiscal transparency strategy.

Additionally, under component C, the project continued supporting the reform of the MOF Human Resources system through the initiative coordinated by CAPRES for the entire public sector and the MOF goals to improve human talent.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

FPMP accomplished several important tasks within Component C during the quarter, including:

- **Curricula development for DINAFI, UNAC, DGCG, DGICP, DGPEF and DGP** – During the quarter, FPMP developed the curricula of the DINAFI, UNAC, DGCG, DGICP and DGP. The curricula matrix, training modules, and career training plan of the DINAFI, UNAC, DGCG, DGICP, DGPEF and DGP were produced during workshops with personnel from the different technical areas.
- **Training on curricula development for the MOF Human Resources Department** – The FPMP technical area profile consultants delivered training on curricula development for the MOF Human Resources Department. A total of 13 people attended the training, of which 10 were women, including the Department Directress. The purpose of the training was for participants to understand the competency-based methodology and to be able to apply it in the future given that talent development and training is an ongoing process that must be addressed as a part of changes to the MOF.
- **Approval of all the logistics to begin implementing the EXPRESATE project** – During the quarter, the EXPRESATE project contractor received the approval of all legal documentation from the national institutions in the Metropolitan Area of San Salvador, such as OPAMS (the San Salvador legal authority that extends permits), the Firefighter Bureau, and the Health Supervisory Bureau. As a result, FPMP initiated the implementation of the EXPRESATE project. As requested, all subcontract requirements were completed by the subcontractor and corroborated accordingly.

ACTIVITIES/WORK PROGRESS

The following paragraphs contain a short description of activities in progress during the quarter for Component C:

- **EXPRESATE project** – During the quarter, FPMP has been working on the implementation of the EXPRESATE project. Supervision visits have been carried out every

week or when necessary according to the subcontract. All technical installations are based on the approved drawings and technical specifications. It is expected to be completed during the second week of March.

- **MOF career plan development project** – During the quarter, FPEMP began working on the MOF career plan development. After completing the development of the Directorates Curricula Matrix, the next step is the development of the MOF Career Plan based on the competency model, for which a pilot performance evaluation will be undertaken in order to determine the gaps. This pilot will be undertaken with the support of the FPEMP technical area profile consultants and the MOF Human Resources Department personnel in order to learn the methodology, and ultimately be able to apply it to all MOF personnel whose jobs are specific to the MOF.
- **Development of the DFD-MH computer lab** – During the quarter, FPEMP began preparations for establishing the DFD-MH computer lab. FPEMP will implement a state of the art computer lab for 20 people, including the procurement of desks, computers, and audio and video sound systems. This will support all MOF trainings and the modernization process.
- **Incorporation of local governments in the Fiscal Transparency Initiative project** – Based on the initial efforts made by the program in forming an agreement between the Ministry of Finance and the Municipalities that is currently under revision, there is a strategy in process involving the incorporation of information regarding local government finances. This strategy aims to incorporate 50 municipalities at first and then continue with the rest of the 262 municipalities.
- **Component C IT implementation** – The program continued working on the Component C IT implementation. During the quarter, the equipment was procured and it is expected that it will be received, installed, and configured in the next quarter.

NEXT STEPS

The main activities for the next quarter are:

- **EXPRESATE project area launch** – During the next quarter, the EXPRESATE project will be completed. FPEMP in coordination with the MOF will launch the new area. It is expected that the event will be attended by the Minister and Vice Ministers of Finance, the Minister of Education, MOF staff, several international donors, the USAID Mission Director, and representatives from the Latin American tax education network.
- **Curricula development of the DGT** – In the next quarter, FPEMP will complete the development of the curricula matrix, training modules, career training plan and a pilot for performance evaluation applying the Competency Based Methodology for the DGT.
- **Implementation of the MOF human resources system** – Once the Curricula Matrix, Modules, and the Career Plan is consolidated, the MOF Human Resources Department will undertake the task of incorporating the employee profiles into the CAPRES Human Resources System with the aim of implementing the National Human Resource Information System.

- **Follow-up on the fiscal transparency initiative for local governments** – After the approval of the agreement, meetings will be scheduled with the parties involved to proceed with the implementation of modules in the MOF Transparency Portal.
- **Launch of the DFD-MH computer lab** – In May 2013, FPMP will officially launch the DFD-MH computer lab. It is expected that the Vice Minister of Finance, Directors, USAID representatives, and members of the international community will be in attendance.
- **Launch of the updated MOF human resources system** – Also in May 2013, FPMP will officially launch the updated MOF human resources system. It is expected that the Vice Minister of Finance, Directors, USAID representatives, and members of the international community will be in attendance.
- **Training on train-the-trainers for performance evaluation based on the competency approach** – In the next quarter, FPMP will deliver training on train-the-trainers for performance evaluation based on the competency approach. The MOF Human Resource Department will attend the training, and they will subsequently replicate it to liaison personnel in all the Directorates of the MOF.
- **Change management initiative project** – Given the anticipated changes in the work performed by the Ministry of Finance according to the road map of the modernization process, it is important to develop a Change Management Strategy with the MOF Human Resources Department. The purpose of this initiative is to facilitate within the MOF acceptance and adoption of the upcoming changes, leading to improved competencies. To be successful, this strategy will be developed to cover all personnel, and will be implemented in collaboration with experts in emotional intelligence and capacity development.

MOF's Progress towards GOES goals

The USAID contract mandates that FPEMP/DAI reports, on a quarterly basis, on the GOES progress toward the following targets:

GOES Target	Progress
Build the foundations to move from the current budget system to a Result-Oriented Budget system.	During the quarter, the DGP General Director committed himself to the budget modernization agenda included in the PFG goals, agreed with the proposals made by FPEMP for the DGP modernization, and promised to approve one of the models by the following quarter.
Implement a fully operational TSA	The MOF made final changes to the TSA pilot implementation in March 2013. The full TSA implementation for the non-financial sector of the GOES has been scheduled for July.
Develop and implement the SAFI II	The MOF, with the support of FPEMP, began the development of the use cases for the budget formulation and budget catalogue module of the SAFI II.
Develop and implement an e-Procurement System	The MOF, with IDB support, is working to develop the e-procurement system.
Increase tax revenues by 2.0% of GDP by 2015	During the quarter, the MOF supported the launch of the TRS and TCA clean-up project.
Develop new scenarios for private sector and civil society participation in fiscal matters and new transparency and accountability practices	The MOF continued supporting the initiative of reforming the fiscal transparency portal.
Successfully implement current and future tax reforms	In January 2012, the DGII, along with FPEMP, developed a dissemination strategy of the 2011 fiscal reforms. During the quarter, the DGII continued implementing fiscal reforms.

FPEMP's Progress Report – Performance Indicators

Finally, this report presents FPEMP/DAI progress towards achieving the program results:

FPEMP result	FPEMP progress
COMPONENT A	
1. At least twenty-five Public Sector Institutions using multiyear Results-Oriented Budgets (ROB) by the end of the project	During the quarter, the program in coordination with GIZ received the DGP's Director approval of the new plan for the budget modernization. Additionally, the program developed the proposed DGP modernization model and presented it to the DGP executive staff, which agreed with the proposal and will choose one of the alternatives during the following quarter.
2. Treasury enabled to make electronic payments on behalf of GOES entities by the end of the project	FPEMP made the necessary changes to the conceptual model developed for the new treasury system and continued following up on the TSA implementation tasks.
3. A strengthened MOF Budget-Planning Unit by increasing the knowledge and IT resources of each unit	As decided by the MOF, GIZ will provide training to the MOF staff. FPEMP will support the implementation at three Ministries (more than twelve GOES entities) and will provide the necessary training to the budget units of these institutions. During the quarter, FPEMP finally reached an agreement with GIZ on the Ministries the program will support in the design of the budget programmatic system.
4. Six hundred MOF personnel trained in modern expenditure system management techniques by the end of the project	As agreed with the MOF and the donors committee, FPEMP will provide training on IPSAS, TSA and cost benefits analysis to the MOF personnel and the GOES institutions. The training on programmatic budget, MTEF, and ROB to the MOF personnel will be delivered by GIZ. FPEMP will provide this type of training to three Ministries (more than twelve GOES institutions).
5. Support the MOF in the migration from SAFI to SAFI II	The program coordinated and provided guidance on the development of the use cases for the budget formulation and budget catalogue for the SAFI II.
6. Introduce and promote implementation of IPSAS	During the quarter, FPEMP continued supporting the development of the chapter of accounts, the public accounting sector conceptual framework and the plan for the IPSAS Policy Manual.

Fiscal Policy & Expenditure Management Program (FPEMP)

7. A functional web-based Public Expenditure Tracking System available to the public.	FPEMP continued working in the fiscal transparency portal improvement.
COMPONENT B	
8. Up-to-date, consistent and clean Taxpayer Current Account (with modern database management guidelines)	As explained during the report, FPEMP launched the TCA manual clean-up and the correction of the issues that polluted the TCA.
9. Up-to-date, consistent and clean Taxpayer Registration System (with modern database management guidelines)	As explained during the report, FPEMP launched the TRS manual clean-up and the correction of the issues that polluted the TRS.
10. Up-to-date, consistent and updated Case Selection Management System (with modern database management guidelines)	During the quarter, FPEMP completed the fiscal compliance module and deployed the case selection, case management and the fiscal compliance modules.
11. An automated functional system, which reconciles the taxpayer database on a periodic basis	As previously explained, FPEMP supported the MOF in stabilizing the updating of the TRS and TCA.
12. No less than 300 MOF personnel trained to effectively apply the fiscal reforms in order to generate the expected additional income	During the project's third quarter, FPEMP provided support to the DGII in the training of 2011 fiscal reforms to 83 MOF personnel.
13. Provide technical support in the strengthening of the Large Taxpayer Unit areas of income tax and transfer pricing audit techniques	During the previous quarter the project launched the new large taxpayer office with an event that was attended by the Minister of Finance, Vice Minister of Finance, Vice Minister of Revenue, MOF Directors, USAID, large taxpayers and the press.
COMPONENT C	
14. No less than 60 private sector actors, at all levels, assisted to better understand the new fiscal reforms passed in December 2011	During the project's third quarter, FPEMP provided support to the DGII in the training of the 2011 fiscal reforms to 1,114 taxpayers.
15. Effective promotion leading to the establishment of a public private commission by Salvadoran actors, with the goal of monitoring on yearly basis the approved budget versus actual GOES expenditures	FPEMP continued moving forward with the reform of the fiscal transparency portal.
16. Development of a Fiscal Transparency Policy with the MOF and GOES	FPEMP supported the development of the fiscal transparency policy, the fiscal transparency forums, and the assessment and preliminary recommendations for the MOF fiscal transparency portal modernization.
17. A functional state of the art in-house training program to provide MOF personnel with continuous up-to-date techniques and technical knowledge	During the quarter, FPEMP developed the curricula for the DGP, DGCG, DGICP, DGPEF, DINAFI and UNAC. The program initiated the development of the DFD-MH computer lab.
18. GOES assisted and facilitated discussions with the private sector in forging a new fiscal	The MOF has not yet made decisions on this.

pact to increase resources to address the pressing social and economic needs of the country	
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