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# El Salvador Fiscal Policy and Expenditure Management Program (FPEMP)

**Quarterly Report**  
June 2014 – August 2014

September 2014

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# **FISCAL POLICY AND EXPENDITURE MANAGEMENT PROGRAM (FPEMP)**

**QUARTERLY REPORT  
June 2014 - August 2014**

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## **TABLE OF CONTENTS**

<b>ACRONYMS</b>	<b>I</b>
<b>EXECUTIVE SUMMARY</b>	<b>1</b>
<b>INTRODUCTION</b>	<b>3</b>
<b>COMPONENT A: PUBLIC EXPENDITURE MANAGEMENT</b>	<b>6</b>
<b>COMPONENT B: TAX REVENUE MOBILIZATION</b>	<b>10</b>
<b>COMPONENT C: PRIVATE SECTOR OUTREACH</b>	<b>12</b>
<b>MOF'S PROGRESS TOWARDS GOES GOALS</b>	<b>15</b>
<b>FPEMP'S PROGRESS REPORT – PERFORMANCE INDICATORS</b>	<b>16</b>
<b>FINANCIAL INFORMATION (AS OF MAY 30<sup>TH</sup>, 2014)</b>	<b>ERROR! BOOKMARK NOT DEFINED.</b>

## ACRONYMS

AECID	Spanish International Cooperation
COMPRASAL	e-Procurement System
COP	Chief of Party
CSMS	Case Selection Management System
DAI	Development Alternatives Inc.
DGCG	General Directorate for Government Accounting
DGII	General Directorate for Internal Revenue
DGP	Budget General Directorate
DGT	Treasury General Directorate
DINAFI	National Directorate for Financial Administration
FPMP	Fiscal Policy Expenditure Management Program
GIZ	German International Cooperation
GOES	Government of El Salvador
IPSAS	International Public Sector Accounting Standards
IVP	International Visitors Program
MOF	Ministry of Finance
PAAC	Procurement and Contracts Annual Programming
SAFI	National Financial Management System
SIRH	Human Resources System
SWOT	Strengths, Weaknesses, Opportunities and Threats
TCA	Taxpayer Current Account
TRS	Taxpayer Registration System
TSA	Treasury Single Account
UAAP	Hearings and Test Opening Unit
UNAC	National Procurement Office
USAID	United States Agency for International Development

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

FPEMP 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 June to August 2014, the first quarter of year four, are listed below:

### Quarterly results

- Obtained technical support from the Argentinian government on the programmatic budget design
- Obtained agreement with the MOF on the technical approach to eliminating illegal practices on the current procedures for budget formulation and execution
- Developed an assessment and recommendation paper on the Salvadoran budget system
- Developed a second IRM request
- Supported the COMPRASAL II PAAC module training
- Obtained agreement with the GIZ for the use cases design of the CSMS II risk management matrix
- Obtained approval of the MOF to assess and review the DGA risk management matrix
- Completed Chapter III of the white paper on fiscal sustainability
- Obtained agreement from the Undersecretary of Territorial Development and Decentralization on the municipal fiscal transparency portal development strategy

### Other Activities Performed

- Development of the IPSAS adoption technical implementation plan
- Development of the IPSAS procedures and policy manual
- Support for the implementation of the DGP functional administrative reform

- Support for the assessment and recommendations of the budget formulation conceptual model and use cases design
- Accounting subsystem use cases design
- Treasury subsystem use cases design
- Budget execution use cases design
- Support for the COMPRASAL II use cases design
- Web services implementation monitoring
- TCA procedures improvements for DGII and DGT monitoring
- Assessment of the DGA risk management matrix
- Development of the CSMS II UAAP module
- Development of the CSMS II contact center module
- Redesign of the fiscal transparency portal
- EXPRESATE center activities monitoring
- Support for the implementation of the MOF Human Resources system based on competencies

## Introduction

This report covers FP EMP activities during the period from June 1, 2014 to August 31, 2014. 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, and the entire four-year base period concludes on June 9, 2015.

USAID commissioned DAI and its FP EMP 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.

FP EMP hereby presents the progress achieved, according to the program's three components:

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

**Component A** – The program continued supporting the public expenditure system modernization in a way that not only modernizes all budget procedures but also makes them more transparent, efficient, and results oriented. The system will help the GOES to obtain the much needed fiscal sustainability that is currently threatened by the existing public expenditure practices. In that regard, the program began supporting the development of the National Financial Management System (SAFI II), a Financial Management Information System (FMIS) that will make it possible to implement the programmatic budget on a results-oriented approach, the Treasury Single Account (TSA), and the International Public Sector Accounting Standards (IPSAS). Due to the fact that the MOF was facing serious problems to move forward with the FMIS development, by the end of 2013 the Vice Minister requested and received FP EMP support to develop the entire treasury subsystem and to support the use cases design and code generation for the budget and the accounting subsystem. During the quarter, the program developed more than 50 percent of the use cases of the treasury and accounting subsystems and the budget execution module. It has also supported the design of the budget formulation module by providing technical guidance to the MOF team that is currently dedicated to the completion of the task. Additionally, the program supported the code generation of the new system classifiers and tables.

Through an arrangement with the MOF, the World Bank (WB) and the German International Cooperation (GIZ) project, the program agreed to manage the first stage of the system development and successfully appointed an international expert to take on the task. The appointment of an FMIS manager was a condition that the WB established for the MOF to extend the loan execution for a year and a half—a critical component for the successful development of SAFI II.

The program obtained approval from the Budget General Directorate (DGP) for the plan to begin supporting the Ministries of Health, Agriculture and Economy in the design of the new budget programs and agreed to deliver training with Georgia State University (GSU) on programmatic budget methodologies to the three ministries' staff.

Reforming the entire budget formulation system from a budget line method to a programmatic budget is a critical task. The program contacted the Argentinean Ministry of Economy and secured an agreement to support the budget program design. Specifically, the Ministry of Economy will support the program with three experts that, in coordination with FPEMP experts, will support the El Salvador Ministries of Finance, Health and Agriculture in the budget system reform.

Regarding IPSAS modernization, FPEMP developed a SWOT analysis and a detailed IPSAS technical implementation plan that will be presented to the General Directorate for Government Accounting (DGCG) authorities during the third week of September.

The program continued supporting the implementation of the DGP functional administrative reform.

As for the development of the e-Procurement System (COMPRASAL II), the program began the deployment of the Procurement and Contracts Annual Programing (PAAC) module and delivered training to 27 GOES entities, including 127 participants. Additionally, the program continued with the use cases design of the "Libre Gestion" module.

Finally, the program developed a second IRM request to obtain approval to move forward with the development of SAFI II and COMPRASAL II. It was submitted to USAID, and receipt of approval is expected by early September.

**Component B** – In regards to the development of the Case Selection Management System (CSMS) II, the program continued developing the modules of the Hearings and Test Opening Unit (UAAP) and began the development of the module of the tax arrears collection. Additionally, the program supported the General Directorate for Internal Revenue (DGII) in the system administration and the implementation of the new requirements made by the DGII.

The program obtained from the Customs General Directorates (DGA) the code of the Customs Risk Management Matrix that will be the basic input for the DGII Risk Management Matrix and obtained final agreement with GIZ to support the use cases design of the DGII matrix.

On the Taxpayer Registration System (TRS) and Taxpayer Current Account (TCA) cleaning side, the program continued monitoring the web services implementation and TCA procedures improvements. Both activities were proposed to the MOF for addressing the structural conditions that negatively impact the applications.

**Component C** – Regarding the trilateral cooperation on fiscal transparency, the program continued working on the reform of the MOF fiscal transparency portal and secured support from the Brazilian counterpart, which reviewed the prototype of the proposed portal usability and

provided recommendation for FPEMP implementation. Additionally, FPEMP put together the plan for technical support of the trilateral initiative from the Brazilian counterpart, which will provide four experts for the months of September and October.

As for the municipalities' fiscal transparency initiative, the program organized in collaboration with the Brazilian counterpart a study tour for the Undersecretary of Territorial Development and Decentralization to Brasilia and Sao Paulo, to train them in the best practices in developing, implementing and maintaining a municipal transparency portal.

The program developed Chapter III (revenue side) of the white paper on fiscal sustainability. The program is following up on the development of the other chapters assigned to Spanish International Cooperation (AECID) and GIZ. AECID developed Chapters I and II, while GIZ will be developing Chapter IV during the following quarter. The document will be delivered to the MOF by the end of October, and it was agreed that GIZ will consolidate the final document.

FPEMP continued supporting the implementation of the EXPRESATE center and continued monitoring its performance.

## COMPONENT A: Public Expenditure Management

FPMP 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. FPMP supports the MOF in improving treasury operations, modernizing government accounting through IPSAS adoption, and enhancing its financial management information system.

### KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

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

- **Secured technical support from the Argentinian government on the programmatic budget design** – Taking into consideration the complexity of helping the Ministries of Health, Agriculture and Economy to reform and modernize their budget system and due to the impressive advances of the Argentinean Government in the programmatic budget system, the program secured the support of the Argentinean Ministry of Economy in carrying out this task. The Ministry of Economy will provide four experts that will work in coordination with FPMP experts in supporting the ministries to design the new budget program to be ready for the deployment of the new budget system in January 2017.
- **Obtained agreement with the MOF on the technical approach to eliminating illegal practices in the current procedures for budget formulation and execution** – The GOES budget system is completely populated by practices that not only violate the law but also generate an undesirable environment for corruption and poor allocation of resources. The program formed an assessment and recommended to the Vice Minister of Finance the necessary measures to eliminate those practices and implement the necessary techniques and methods to make the budget formulation and execution process more efficient and transparent. He agreed with the program's proposal and promised to provide the necessary instructions.
- **Developed an assessment and recommendation paper regarding the Salvadoran budget system** – The program developed an assessment and recommendation paper regarding the Salvadoran budget system that was delivered to the Vice Minister of Finance. The paper presented the Salvadoran fiscal environment and introduced structural adjustments in revenue and expenditures that could address the fiscal situation. Additionally, the paper included 15 principal weaknesses identified in the legal framework and 13 practices and proposals to resolve the situation.
- **Developed a second IRM approval request** – The program developed a second IRM paper that contained the software development of COMPRASAL II and SAFI II. The program created, gathered all the documentation and prepared the document to be validated by USAID. The final request was sent to the USAID IRM office for approval and is expected to be approved by early September.
- **Supported the COMPRASAL II PAAC module training** – The program began supporting the COMPRASAL II PAAC module training for the entire Public Entities Procurement Office (UASI). As of August 31, 27 UACI's have attended the training.

## ACTIVITIES/WORK IN PROGRESS

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

- **Development of the IPSAS adoption technical implementation plan** – The program continued developing a SWOT analysis on the current accounting system inside the GOES and continued developing a detailed plan for IPSAS adoption. In September, the findings and recommendations will be delivered to the DGCG.
- **Development of the IPSAS procedures and policy manual** – The IPSAS procedures and policy manual development began within the accounting subsystem use cases design. Once the use cases design ends, the remaining policies will be developed to complete the normative document.
- **Support for the implementation of the DGP functional administrative reform** – The program submitted the DGP functional administrative reform validated by the DGP technical staff that supported the document development. The program is still waiting for approval from the DGP Director to prepare the agreement that will be signed by the Vice Minister of Finance.
- **Support for the assessment and recommendations of the budget formulation conceptual model and use cases design** – The FPEMP budget use cases expert is working in coordination with the DGP use cases design team on the budget formulation conceptual model and use cases design. The expert suggested including the programmatic structure of the budget execution units in the use cases design, which involves making adjustments to the conceptual model and the use cases.
- **Accounting subsystem use cases design** – The FPEMP accounting use cases expert is working in coordination with the DGCG use cases design team on the accounting subsystem use cases design. The team has identified the use cases of the accounting subsystem interaction with other subsystems, such as treasury, budget execution, COMPRASAL II, Human Resources, Public Investment and Credit, and Public Records. Additionally, the team has completed more than 35 use cases.
- **Treasury subsystem use cases design** – Regarding the treasury subsystem, the FPEMP experts developed more than 60 percent of the treasury subsystem use cases that integrate the core. The remaining is being developed by the DGT team with the support of an FPEMP expert. The DGT use cases design validation team continued with the work and had until the end of August to validate 24 use cases. The FPEMP institutional treasury use cases expert began his work and has purged the use cases list. The expert in coordination with the DGT team expects to finish validating the use cases in the following quarter.
- **Budget execution use cases design** – After completion of the budget execution conceptual model, the FPEMP budget use cases expert in coordination with the DGP use cases design team began working on the use cases design. The expert has explained to the DGP Directors and staff that the module has to include the use cases of the programmatic structure of the

budget execution units. The team is holding further discussions on this issue, which has delayed the use cases delivery.

- **Support for the COMPRASAL II use cases design** – The program continued supporting the COMPRASAL II use cases design. The program will initiate the developments after receiving IRM approval.

## NEXT STEPS

The main activities for the next quarter are:

- **Presentation of the IPSAS adoption technical implementation plan** – The program will deliver a presentation of the SWOT analysis and the IPSAS adoption technical implementation plan to the DGCG. The SWOT shows huge challenges in the IPSAS implementation. Due to the lack of appropriate recording and management practices from the GOES entities in the accounting system, it is clear that the system is not only polluted with manual procedures but also marked by a misunderstanding over the appropriate regulation on accounting practices. The proposed implementation plan will help the MOF to address this situation by successfully adopting IPSAS.
- **Development of the IPSAS procedures and policy manual** – The program will continue recording the IPSAS policy regulation from the public accounting subsystem use cases design to continue developing the manual during the following year, once the use cases task is completed in October.
- **Approval of the DGP functional administrative reform** – The program expects that the DGP Director will approve the DGP functional administrative reform model submitted in February. Once approved, the program will work on the agreement to be signed by the Vice Minister of Finance, as well as the detailed implementation plan.
- **Support for the programmatic budget designs for the Ministries of Agriculture, Economy and Health** – During the next quarter, the program will begin supporting the programmatic budget design for the Ministries of Agriculture, Economy and Health. In the first phase, the sector experts will work with the DGP and ministry technicians to create an inventory of budget programs, budget programs proposal, and a document with all sector budget programs and all specific details. In the second phase, the sector experts will present the programmatic framework to the three Ministries, as well as the Ministry of Finance.
- **Study tour to Peru on budget execution** – The program will develop an IVP to Peru on budget execution best practices. The DGP Deputy Director and two DGP technicians will attend and focus on budget execution legal frameworks, budget execution programming, budget commitments, and fiscal goals programming. The program secured support from GIZ to provide funding for two additional participants from DGP.
- **Coordination of the SAFI II development** – During the next quarter, the SAFI II coordinator will begin the management of the SAFI II development. The expert will be responsible for the SAFI II software management and will work for six months under the program's supervision. After this period, he will be hired by the World Bank to continue the work.

- **Develop the proposal for the legal reform of the Financial Administration System for El Salvador** – The Financial Administration (AFI) law expert will begin work during the next quarter. The expert will develop a proposal for the legal reform of El Salvador’s financial administration system. It will contain proposals to address inconsistencies in the AFI law and update it to the best international practices for topics such as system organization, institutional coverage, technology, and norms.
- **Completion of the accounting subsystem use cases design** – It is expected that the accounting use cases expert and the DGCG use cases design team will complete the accounting subsystem use cases in the next quarter.
- **Completion of the treasury subsystem use cases design** – It is expected that the treasury use cases expert and the DGT use cases design team will complete validating the treasury subsystem use cases in the next quarter.
- **Budget execution use cases design** – The budget expert use cases and the DGP use cases design team will continue this work. It is expected that they will complete most of the use cases and will leave the module reports to the second quarter of year four.
- **Development of the COMPRASAL II software** – Once the program receives the approval of the IRM request, the “libre gestion” module development will begin.
- **Assessment and recommendations on Private-Public Partnership (PPP) Office implementation** – The PPP expert will assess and recommend the actions for establishing the PPP Office by reviewing the legal framework, technical capacities and risk management. The expert will visit the MOF Directorates, the Presidency Undersecretary, El Salvador Investment and Exports Promoter (PROESA), and the PPP Control Office (OFAPP).
- **Training on PPP** – The PPP expert will deliver training on PPP, which will be attended by officials from the MOF, Presidency Undersecretary, PROESA and OFAPP. about the training will cover the importance of PPP, public and private sector participation, PPP characteristics, investors incentives, key sectors for PPP, legal requirements, and PPP monitoring and evaluation.
- **Study tour to Colombia on PPP** – The program will develop an IVP to Colombia on PPP best practices. The General Directorate for Public Investment and Credit Director and two Fiscal and Economic Policy Directorate technicians will attend the study tour, covering the importance of PPP, the legal framework, institutional requirements, the approval process, PPP risks, and the Colombian experience.
- **Study tour to Argentina on the Human Resources System (SIRH)** – The program will develop an IVP to Argentina on the implementation of SIRH. Three technicians from the National Directorate for Financial Administration (DINAFI) will attend the study tour, focusing on the HR programmatic structure, the presentation of HR to congress, the formulation of HR budget, and institutional profiles. The program received support from GIZ to cover the costs of additional attendee from DINAFI.

## 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:

- **Secured agreement with GIZ for the use cases design of the CSMS II risk management matrix** – The program held several meetings with GIZ to identify the support both programs will provide to DGII regarding the CSMS II risk management matrix. Currently, CSMS II works under a deterministic matrix, and it will be upgraded into a probabilistic matrix. DGII informed that DGA works under such a matrix, and it was agreed that the programs will request the source code to assess and review.
- **Obtained approval of the MOF to assess and review the DGA risk management matrix** – As agreed with GIZ, the program obtained approval of the MOF to review the source code of the DGA risk management matrix. The program will assess and review the matrix and will send the results to GIZ and the MOF.

### ACTIVITIES/WORK PROGRESS

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

- **Web services implementation monitoring** – The program continued monitoring the web services implementation. The web services are a key component in the effort to keep the TCA from becoming polluted again. Nine banks are fully using the web services and the only banks missing are ACCOVIT and COMEDICA.
- **Improvements of TCA procedures for DGII and DGT monitoring** – The Tax Information System migration is in process. The MOF stated that they are stabilizing the system. The process will last a few more months, because the government has introduced new taxes.
- **Assessment of the DGA risk management matrix** – The program is working on the assessment and review of the DGA risk management matrix. The findings will be sent to DGII and GIZ, and it is expected that some inputs will be used to design the CSMS II risk management matrix.
- **Development of the CSMS II UAAP module** – The program continued developing the CSMS II UAAP module. The DGII has divided the unit in two new areas Tax Hearing Unit (UAT) and Tax Delinquency Section (SIT). This change has modified some business rules. Because of this, some use cases have been modified.
- **Development of the CSMS II contact center module** – The program continued developing the CSMS II contact center module. The program requested access to treasury SITEP to continue with the development and testing.

## NEXT STEPS

The main activities for the next quarter include:

- **Web services implementation monitoring** – The program will continue to monitor the web services implementation until it is fully complete.
- **Improvements of TCA procedures for DGII and DGT monitoring** – The program will continue to monitor the improvement of procedures. After this, the program will plan for the application improvements.
- **Complete the assessment and review of the DGA risk management matrix** – The program will complete assessing and reviewing the DGA risk management matrix. The results will be delivered to DGII and GIZ.
- **Development of the CSMS II UAAP module** – The program will continue developing the CSMS II UAAP module.
- **Development of the CSMS II contact center module** – The program will continue developing the CSMS II contact center module.
- **Validation of the CSMS II Customs and Internal Revenue Appeal Court (TAIIA) module use cases** – During the next quarter, the program will begin validating the CSMS II TAIIA module use cases delivered by the unit. If adjustments are needed the program will support the task to begin developing the module as soon as possible.
- **Income tax audit training** – The program will deliver a two-week training on tax legal assumptions implementation when conducting tax audits to fight tax evasion and avoidance. It is expected that 30 auditors will attend.

## COMPONENT C: Private Sector Outreach

In Component C, the program proposed to the GIZ and AECID projects the development of a white paper on fiscal sustainability. The paper will be submitted to the new government for consideration in promoting appropriate political decisions and as a strategy that builds consensus through outreach and dialogue with civil society, and guarantees fiscal sustainability for the country. The projects agreed with what was proposed, and they began the development of the paper.

Regarding the trilateral initiative on fiscal transparency, the program continued coordinating and supporting the reform of the MOF transparency portal. In coordination with the Brazilian government, FPEMP also provided training to the MOF counterparts. The program continued monitoring the EXPRESATE center, and it followed up on the implementation of the reform of the MOF human resources system through the initiative coordinated by Presidential House for the entire public sector and the MOF goals to improve human talent.

### KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

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

- **Completed Chapter III of the white paper on fiscal sustainability** – The program expert put together Chapter III of the white paper covering recommendations on tax policy to be discussed with the private sector, which will be included on an eventual fiscal pact.
- **Agreement with the Undersecretary of Territorial Development and Decentralization on the municipal fiscal transparency portal development strategy** – The Undersecretary developed a portal for the municipalities that includes general municipal information and a fiscal transparency portal for the 162 municipalities. FPEMP agreed to provide them support under the trilateral initiative, and the Brazilian counterpart concurred with the proposal. The program and the Brazilian government will conduct assessments and recommendations on the fiscal transparency portal and will develop a study tour to Sao Paulo and Brasilia to provide instructions on techniques and best practices for implementing and maintaining a municipal fiscal transparency portal. Additionally, the program will provide IT equipment for the system implementation.

### ACTIVITIES/WORK PROGRESS

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

- **Redesign of the fiscal transparency portal** – The program continued redesigning the fiscal transparency portal. As of August 31, the redesign is 60 percent complete for option 1—to be launched in November—and 30 percent complete for option 2, which will be used to change the aesthetics). The options are interchangeable.

- **EXPRESATE center activities monitoring** – FPEMP continued to monitor activities in support of the EXPRESATE center. To date, 3,217 students have visited the center, including 1,778 females.
- **Support for the implementation of the MOF Human Resources system based on competencies** – The program continues providing support to the Human Resources System implementation within the MOF. Because the new Minister of Finance has not yet been appointed, implementation has been adversely impacted. . It is expected that progress will be seen once the new Minister is in place.

## NEXT STEPS

The main activities for the next quarter are:

- **Complete the upgrade of the fiscal transparency portal** – The program will complete the upgrade of the fiscal transparency portal. After completion, the program will schedule the official launch.
- **Official launch of the MOF fiscal transparency portal** – In coordination with the Brazilian Government and the MOF, the program will officially launch the MOF fiscal transparency portal. The launch event will be attended by the MOF authorities, USAID authorities, the Brazilian Ambassador and experts, and civil society.
- **Support for the municipal fiscal transparency portal development** – In coordination with the Brazilian government experts, the program will support the Undersecretary in the municipal fiscal transparency portal development. The experts will assess and provide recommendations in regards to the portal.
- **Study tour to Brazil on municipal fiscal transparency portal** – In coordination with the Brazilian government, the program will develop an IVP to Brasilia and Sao Pablo on fiscal transparency portal best practices. The Undersecretary of Territorial Development and Decentralization and three technicians will attend the study tour, focusing on the importance of society in the monitoring of public expenditures, the background and lessons learned in the development of fiscal transparency portals, fiscal transparency systems, the legal framework of fiscal transparency, and the maximization of citizen participation in the use of fiscal transparency portals and reports.
- **Continue monitoring EXPRESATE center activities** – The program will continue monitoring the EXPRESATE center activities.
- **Continue supporting the implementation of the MOF Human Resources system based on competencies** – The program will continued providing support to the system implementation and will advocate with the new Minister for the ramping up of the system implementation.
- **Participate in the hemispheric conference on transparency in Costa Rica** – The Brazilian counterpart has requested the participation of the Chief of Party and the MOF counterparts in the Hemispheric Conference on Transparency in San Jose in November, delivering a presentation on the successful reform of the MOF fiscal transparency portal achieved under

the trilateral initiative. The program agreed to the request and a team will participate in the conference.

## 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:

<b>GOES Target</b>	<b>Progress</b>
Build the foundations to move from the current budget system to a Results-Oriented Budget system for Health, Agriculture and Economy	The DGP made contact with the ministries to start implementing the programmatic budget system. Training on the programmatic budget methodology update was programmed during the quarter and will be delivered in October. Additionally, DGP continued reviewing and evaluating the DGP functional administrative reform proposal. The DGP Deputy Director has been supporting the budget subsystem use cases design—a component of critical importance in the new budget system implementation.
Implement a fully operational TSA	DGT continues implementing the TSA and now has 27 entities integrated. DGT in coordination and with the support of FPEMP is making the final adjustment to the treasury subsystem use cases, which will be completed the next quarter.
Develop and implement the SAFI II	As agreed with the Vice Minister of Finance, the system will be developed following FPEMP standards and strategies. DGT and DGP assigned a full-time team to support the SAFI II use cases design. The use cases design teams continued with the task.
Develop and implement an e-Procurement System	UNAC assigned a full-time team to support the development of the COMPRASAL II use cases. UNAC in coordination with FPEMP delivered training to 27 UACIs on the new PAAC module.
Increase tax revenues by 2.0 percent of GDP by 2015	The program has now completed 80 percent of the entire CSMS II system. DGII supported the system implementation and is moving forward in the improvement of the tax control with the new modules.
Develop new scenarios for private sector and civil society participation in fiscal matters and new transparency and accountability practices	DINAFI is fully supporting the redesign of the new MOF transparency portal. A prototype was sent to the Brazilian experts for review.
Successfully implement current and future tax reforms	In January 2012, the DGII with FPEMP support developed a dissemination strategy of the 2011 fiscal reforms.

## FPEMP's Progress Report – Performance Indicators

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

FPEMP result	FPEMP progress
<b>COMPONENT A</b>	
1. At least twenty-five Public Sector Institutions using multiyear Results-Oriented Budgets (ROB) by the end of the project	The program developed an assessment and recommendation paper of the Salvadoran budget system that contains recommendations to address procedures that affect a proper budget formulation and execution process. The paper was presented to the Vice Minister of Finance, who agreed to provide instructions. Additionally, FPEMP secured an agreement with the Argentinian Ministry of Economy to support the budget program design of the Ministry of Agriculture and Economy.
2. Treasury enabled to make electronic payments on behalf of GOES entities by the end of the project	The program expert continues validating the treasury subsystem use cases. It is expected that the totality of use cases will be presented next quarter.
3. A strengthened MOF Budget-Planning Unit by increasing the knowledge and IT resources of each unit	The program continued designing the use cases of the budget formulation and budget execution module with support of the DGP teams. Additionally, the program scheduled an IVP to Peru on budget execution best practices for the next quarter.
4. Six hundred MOF personnel trained in modern expenditure system management techniques by the end of the project	The program is continuously supporting the budget execution use cases design. The project budget expert delivered extensive training to the DGP staff on modern budget formulation and execution practices. Additionally, the program scheduled an IVP to Peru on budget execution best practices for the next quarter.
5. Support the MOF in the migration from SAFI to SAFI II	The program continued with the use cases design of the accounting subsystem, treasury subsystem, budget execution module and supporting the budget formulation module. It is expected that the use cases of treasury and accounting will be ready for next quarter.
6. Introduce and promote implementation of IPSAS	The program continued the development of the IPSAS adoption technical implementation plan. The SWOT report that is the main input for the implementation plan will be presented to the MOF in September.
7. A functional web-based Public Expenditure	The program presented the fiscal transparency

Tracking System available to the public.	prototype to the Brazilian experts. The experts provided recommendation that the program implemented. During the next quarter, two missions of experts will travel to review the final prototype.
<b>COMPONENT B</b>	
8. Up-to-date, consistent and clean Taxpayer Current Account (with modern database management guidelines)	The program completed the cleaning of a total of 21,523 taxpayer current accounts and supported the GOES institutionalization of the TCA cleaning. Since mid-January, the MOF has performed this cleaning as part of its regular operations. The program continued providing follow-up to the TCA cleanup institutionalization at the MOF.
9. Up-to-date, consistent and clean Taxpayer Registration System (with modern database management guidelines)	The program completed the cleaning of a total of 7,730 taxpayer's registration accounts and supported the GOES institutionalization of the TRS cleaning. Since mid-January, the MOF has performed the cleaning as part of its regular operations. The program continued providing follow-up to the TRS cleanup institutionalization at the MOF.
10. Up-to-date, consistent and updated Case Selection Management System (with modern database management guidelines)	The program continued the development of the UAAP and contact center module. The program has now completed 80 percent of the entire system.
11. An automated functional system, which reconciles the taxpayer database on a periodic basis	The program continued monitoring the TCA and TRS migration, the tax returns reception, and tax payment web services implementation. These will help the MOF to address the structural conditions that negatively impact the applications.
12. No less than 300 MOF personnel trained to effectively apply the fiscal reforms in order to generate the expected additional income	During the program's third quarter, FPEMP provided support to the DGII in the training of 2,011 fiscal reforms to 83 MOF personnel. The program will continue to support fiscal reforms dissemination.
13. Provide technical support in the strengthening of the Large Taxpayer Unit areas of income tax and transfer pricing audit techniques	In previous quarters, FPEMP supported the creation of the new large taxpayer office, the front and back office for the large taxpayers, the kiosk system and the strengthening of the audit skills of the large taxpayer office.
<b>COMPONENT C</b>	
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 program's third quarter, FPEMP provided support to DGII in the training of the 2,011 fiscal reforms to 1,114 taxpayers. The

	program will continue to support fiscal reforms dissemination.
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	FP EMP completed the development of Chapter III of the white paper on fiscal sustainability. GIZ and AECID will complete their pieces in the next quarter.
16. Development of a Fiscal Transparency Policy with the MOF and GOES	The program continued with the trilateral initiative on fiscal transparency in coordination with the governments of Brazil, the United States, and El Salvador. Experts reviewed the portal prototype and sent recommendations that the program implemented.
17. A functional state of the art in-house training program to provide MOF personnel with continuous up-to-date techniques and technical knowledge	The program continued to monitor the implementation of the human resources system based on competencies and the implementation of the computer lab.
18. GOES assisted and facilitated discussions with the private sector in forging a new fiscal pact to increase resources to address the pressing social and economic needs of the country	FP EMP took the initiative to coordinate efforts with Spanish and German cooperation to work on a fiscal pact proposal for the new government. The program completed the development of the revenue chapter of the white paper, and AECID completed their chapter. GIZ will complete its component and consolidate the proposal during the next quarter.