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El Salvador Fiscal Policy and Expenditure Management Program (FPEMP)

Quarterly Report
March – May 2012

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FISCAL POLICY AND EXPENDITURE MANAGEMENT PROGRAM (FPEMP)

QUARTERLY REPORT March - May 2012

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TABLE OF CONTENTS

ACRONYMS	I
EXECUTIVE SUMMARY	1
INTRODUCTION	3
COMPONENT A: PUBLIC EXPENDITURE MANAGEMENT	6
COMPONENT B: TAX REVENUE MOBILIZATION	9
COMPONENT C: PRIVATE SECTOR OUTREACH	14
MOF'S PROGRESS TOWARDS GOES GOALS	18
FPEMP'S PROGRESS REPORT – PERFORMANCE INDICATORS	19
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ACRONYMS

AECID	Spanish International Cooperation
COP	FPEMP Chief of Party
COTS	Commercial off the Shelf
CP	Critical Path
CSMS	Case Selection Management System
DAI	Development Alternatives Incorporated
DECAMH	MOF Training Department
DGA	Customs General Directorate
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
DTH-MH	MOF Training and Human Talent Development Department
EU	European Union International Cooperation
FPEMP	Fiscal Policy Expenditure Management Program
GIZ	German International Cooperation
GOES	Government of El Salvador
GRP	Government Resource Planning
IDB	Inter-American Development Bank
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
IVP	International Visitors Program
JSIIT	Java Tax Information Integrated System
LTO	Large Taxpayer Office
MOF	Ministry of Finance
MTIF	Medium Term Institutional Framework
NIT	Tax Identification Number
ROB	Result-oriented Budget
SAFI	National Financial Management System
SAFIM	National Financial Management System for Municipalities

TAIIA	Internal Taxes and Customs Taxes Appeals Court
TCA	Taxpayer Current Account
TPAR	Tax Policy & Administration Reform
TRS	Taxpayer Registration System
TSA	Treasury Single Account
TSA	Treasury Single Account
UAAP	Hearings and Test Opening Unit
UPS	Uninterruptible Power Supply
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 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.

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 March to May 2012, the fourth quarter of year one, are listed below:

Quarterly results

- Assessment and business process analysis of the first modules of the current Public Investment System to be used in the development of the SAFI II Conceptual Model
- Assessment and business process analysis of the first modules of the current Public Debt System to be used in the development of the SAFI II Conceptual Model
- Assessment and business process analysis of the first modules of the current Public Assets System to be used in the development of the SAFI II Conceptual Model
- IVP to the MOF of Colombia to learn about the GRP development and implementation strategy experience
- IT assessment for DGP, DGT, DGCG
- Chart of accounts and DGCG first assessment
- IPSAS training for MOF Directors
- IVP to the Chilean Tax Administration to learn from the Chilean experience in the implementation of a Large Taxpayer Directorate
- IT assessment for the new LTO, Electronic kiosks, DGT Collections Call Center
- Development of the Code Generator tool
- Equipment procurement for Large Taxpayer front office and back office
- Collections Call Center Definition and equipment procurement
- TCA improvements

- TRS improvements
- Development of the Fiscal Transparency Policy Strategic Lines
- Forums on Fiscal Transparency Policy Strategic Lines
- IT assessment for EXPRESATE, DECAMH and EDUFIS
- Assessment of the current Fiscal Transparency Portal
- EXPRESATE project approval by the Vice Minister of Revenue
- Development of DECAMH functional reforms
- Development of the AWP for year 2

Other Activities Performed

- Donor coordination
- Follow up in the Component A CP approval
- Budget modernization strategy agreement with GIZ
- Selection of the new Component A Leader, DCOP
- Large Taxpayer front and back office implementation
- TCA use cases development
- TRS use cases development
- Coordination for the TRS cleaning process
- Coordination for the TCA cleaning process
- Coordination for UAAP use cases
- Coordination for TAIAA use cases
- Coordination for DGT use cases
- Coordination for DGA use cases
- Development of the electronic kiosk implementation plan
- EXPRESATE project development
- DECAMH modernization task
- Definition of the work plan for MOF Directorates technical areas profiles development

Introduction

This report covers FPEMP activities during the period from March 1, 2012 to May 31, 2012. 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 entire four-year 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 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 thus proposes to present our progress, in this and future reports, 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 continued facing donor coordination challenges with the European Union International Cooperation (EU), German International Cooperation (GIZ), Spanish International Cooperation (AECID), Inter-American Development Bank (IDB) and World Bank (WB). During the period, the program made important advances and achievements in the implementation of tasks.

Component A – Using the donor matrix as the base, FPEMP's main tasks are to support the implementation of the Medium Term Institutional Framework (MTIF), the implementation of the programmatic budget formulation within more than 10 GOES entities and the implementation of Result-Oriented Budget (ROB) in more than 3 GOES institutions. In addition, FPEMP has been tasked to support the modernization of the Public Accounting System, the implementation of the Treasury Single Account (TSA) and the development and implementation of the National Financial Management System (SAFI) II adoption or development plan.

In the Budget General Directorate (DGP) modernization, FPEMP continued working in the budget modernization Critical Path (CP) correction and approval, and developed an International Visitors Program (IVP) to learn about the implementation of a modern budget system among other topics.

In the General Directorate for Government Accounting (DGCG), FPEMP developed an assessment of the current chart of accounts, made preliminary recommendations toward International Public Sector Accounting Standards (IPSAS) adoption, and delivered training on IPSAS to the General Directors and Deputy Directors of Expenditure Directorates from the MOF.

In the Treasury General Directorate (DGT), FPEMP worked in coordination with DGT to plan the Treasury Single Account (TSA) implementation and to plan the FPEMP TSA expert assistance. In coordination with the National Directorate for Financial Administration (DINAFI), FPEMP also granted approval of the DGT Director for the TSA Conceptual Model development.

In the SAFI II adoption or development task, FPEMP developed an assessment and business process analysis for the current Public Investment System, Public Debt System and Public Assets System. In addition, FPEMP developed an IVP to the Colombian MOF so that Salvadoran MOF leaders could learn from the Colombian experience in the Commercial off the Shelf (COTS) Government Resource Planning (GRP) development and implementation.

Regarding the National Financial Management System for Municipalities (SAFIM), the MOF re-assigned the task to the EU during the quarter.

Finally, FPEMP developed the Information Technology (IT) assessment for Component A tasks and worked on the procurement plan.

Component B – For this Component, the tasks have continued moving forward during the quarter. This Component does not have changes within the donor coordination and task assignment matrix developed in coordination with the MOF.

FPEMP continued with the development of the Taxpayer Registration System (TRS) and the Taxpayer Current Account (TCA) applications upgrade. FPEMP coordinated all the tasks needed to make both systems reliable and not hampered by data pollution. In addition, FPEMP supported the use cases development and followed up on the activities of process and procedures improvement in the areas responsible for TCA and TRS.

FPEMP worked in the implementation of the new Large Taxpayer Office (LTO) by coordinating the new office implementation, developing the front and back office implementation, and procuring all the necessary equipment.

The procurement for the implementation of the Collection Call Center was completed, and the development of the Electronic Kiosks project continues. Both projects are expected to be launched during the following quarter.

Moreover, FPEMP developed an IVP to the Chilean Tax Administration so that MOF officials could learn from the Chilean experience in the implementation of a Large Taxpayer Directorate. The LTO Director, the Taxpayer Services Office Manager and the Fiscal Compliance Office Manager all attended the visitors program.

FPEMP continued with the development of the Code Generator Tool that will be used in the upgrade of the Case Selection Management System (CSMS) and the Java Tax Information Integrated System (JSIIT).

Finally, FPEMP developed the IT assessment for Component B tasks and worked on the procurement plan.

Component C – FPEMP continued working with the Presidency Undersecretary for Transparency and Anticorruption during the quarter, developing the strategic lines in coordination with EU and developing a Fiscal Transparency Policy Strategic Lines consultation forum.

The FPEMP Transparency consultant conducted an assessment of the current MOF Fiscal Transparency Portal and made preliminary recommendations for the portal modernization and improvement.

FPEMP team obtained approval from the Vice Minister of Revenue for the EXPRESATE project and began the process for the EXPRESATE facilities implementation.

FPEMP continued with the development of the MOF Training Department (DECAMH) functional reforms and obtained approval from the Vice Minister of Finance who signed the resolution, creating the new MOF Training and Human Talent Development Department (DTH-MH).

During the quarter, the MOF requested that FPEMP review, develop and upgrade the MOF technical area personnel profiles. Under this newly assigned task, FPEMP began the implementation by preparing the work plan, the scope of work, and hiring the consultants.

Finally, FPEMP developed the IT assessment for Component C tasks and worked on the procurement plan.

COMPONENT A: Public Expenditure Management

FPEMP focuses its efforts on helping the GOES advance its public expenditure management reform agenda so that its budget process is more effective, transparent, innovative and responsive. FPEMP supports the MOF in implementing ROB, treasury operations, IPSAS adoption and an improved financial management information system.

ACTIVITIES PREVIOUSLY PLANNED AND NOT IMPLEMENTED IN THE 4th QUARTER

One activity was planned for the fourth quarter based on the annual work plan and the previously submitted quarterly report, but was not implemented at the MOF's request to assign the task to another donor:

- **SAFIM use cases** – FPEMP supported and worked in the planning for the SAFIM as requested by the MOF. The program supported the architecture definition, the time schedule for the creation of the software, and the use cases. During the last month of the quarter, the MOF decided to assign the system development to the EU in order to achieve balance of work across donors. The MOF considered that FPEMP has already being assigned with the great task of developing the CSMS migration and upgrade, and the JSIIT upgrade, and considered the re-assignment of the SAFIM task to be appropriate.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE 4th QUARTER

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

- **Assessment and business process analysis of the first modules of the current Public Investment System to be used in the development of the SAFI II Conceptual Model** – FPEMP consultant Jacqueline Gomez conducted the assessment and business process analysis of the current Public Investment System. The business process analysis is the main input for the development of the Conceptual Model and functional description of the SAFI II Investment Application. During the assessment and analysis, it was clear that there is a lack of critical acceptable procedures, analysis, investment evaluation, and investment execution monitoring and evaluation in the current system.
- **Assessment and business process analysis of the first modules of the current Public Debt System to be used in the development of the SAFI II Conceptual Model** – FPEMP consultant Jacqueline Gomez conducted the assessment and business process analysis of the current Public Investment System and the use of the SIGADE 5.2 program in the debt management. The business process analysis is the main input for the development of the Conceptual Model and functional description of the SAFI II Debt Application and SIGADE System integration. During the assessment and analysis, it was clear that there is a lack of critical acceptable procedures for debt analysis and management.
- **Assessment and business process analysis of the first modules of the current Public Assets System to be used in the development of the SAFI II Conceptual Model** – FPEMP

consultant Carmela Cuba conducted the assessment and business process analysis of the current Public Assets System. Currently, the GOES does not have an integrated Public Assets Management System, which makes it impossible to control the public assets management and the development of patrimony accounts. Each GOES entity has a very basic system for assets management. Due to this, misinterpretation of accounting norms and bad practices are done.

- **IVP to the MOF of Colombia to learn about the GRP development and implementation strategy experience** – In order to support the task of development and implementation of SAFI II under a GRP system framework, FPEMP coordinated an IVP to the Colombian MOF to learn about the implementation of a system that is similar to the one to be developed in El Salvador. The IVP took place in March 2012 and the attending group included the DGP Director, DGT Deputy Director, DINAFI Deputy Directress, the MOF IT Programming Manager, the FPEMP Chief of Party (COP) and FPEMP IT Manager.
- **IT assessment for DGP, DGT, DGCG** – In order to support the tasks to be developed in the DGP, DGT and DGCG, FPEMP conducted an IT assessment for all Directorates. In order to have success in the activities planned, FPEMP needed to identify the level of obsolescence and technical requirements in the Directorates. The FPEMP IT Manager, in coordination with IT Managers from all Directorates, developed the IT assessment document.
- **Chart of accounts and DGCG first assessment** – FPEMP consultant Carmen Palladino conducted the assessment of the GOES current charts of account and developed the plan for modernization of the Accounting System. The DGCG plan was to work on an IPSAS harmonization program, however, the FPEMP consultant's recommendation was to move forward with an IPSAS adoption strategy. The DGCG agreed on the recommendation. In addition, the consultant in coordination with the DGCG developed a work plan for IPSAS implementation. The plan was approved by the DGCG Deputy Director and DINAFI Deputy Directress.
- **IPSAS training for Directors** – FPEMP consultant Carmen Palladino delivered training on IPSAS. It was attended by 18 MOF officials. The officials were DINAFI Directress and Deputy Directress, DGP Director and Deputy Director, DGCG Director and Deputy Director, and the DGCG counterpart team. The DINAFI Directress, DGP Director and DGCG Director expressed to the COP that the training was outstanding.
- **Development of the Component A Annual Work Plan (AWP) for year 2** – During the quarter, FPEMP developed the Component A AWP. The milestones and activities for the period from June 2012 to May 2013 were defined. After this, the plan was presented and discussed with the DINAFI Directress and Deputy Directress whom agreed with the proposed second year work plan in its entirety.

ACTIVITIES/ WORK PROGRESS

The following paragraphs contain a short description of specific activities developed during the fourth quarter for Component A:

- **Donor coordination** – The COP continued working in the donor coordination activities. The Transparency Forum was developed in coordination with the EU, and the business process analysis for the SAFI current systems was coordinated by both the EU and GIZ.
- **Follow up in the Component A CP approval** – FPEMP continued the discussion and requested the approval of the CP that had been developed and proposed in January 2012. The CPs approved includes the Accounting System Modernization Program and the TSA Implementation Plan. The budget modernization program will be approved during the month of June.
- **Budget modernization strategy agreement with GIZ** – FPEMP reached an agreement with GIZ in the budget modernization program activities that each will implement. An agreement letter was signed by the GIZ COP and the FPEMP COP.
- **Selection of the new Component A Leader, FPEMP Deputy Chief of Party (DCOP)** – Due to the resignation of the Component A Leader and DCOP, DAI's Home Office in coordination with the COP, worked on the selection of the new Component Leader and DCOP. Two candidates have been short listed. During the following quarter, the selection will be made by DAI and submitted to USAID for approval.

NEXT STEPS

The main activities for the first quarter of year two are:

- **Accounting Conceptual Framework evaluation** – FPEMP consultant Carmen Palladino will support the evaluation and correction of the Accounting Conceptual Framework. This is the first step for the IPSAS adoption program.
- **Training session about IPSAS for DGCG** – During the month of August, FPEMP consultant Carmen Palladino will deliver a two-week training on IPSAS to the DGCG and MOF staff.
- **TSA implementation plan document** – FPEMP consultant Jorge Domper will assess the current TSA program status and will develop a TSA implementation plan.
- **Development of the TSA Conceptual Model for SAFI II** – FPEMP consultant Jorge Domper will develop the TSA Conceptual Model for the new SAFI II.
- **Approval of the critical path for the budget modernization program from the DGP** – The COP will discuss the CP activities and milestones with GIZ and will obtain the approval from the DGP Director.
- **Development of the procurement plan for DGP, DGT, DGCG** – After having developed the IT assessment for all Directorates, FPEMP will start developing the procurement plan in order to meet all the necessities identified. This equipment will support the success of tasks to be developed in Component A, as example: the introduction of ROB and programmatic budget, the adoption of ISPSAS and the introduction of TSA. This plan must be completed and approved by July 2012 in order to begin the procurement in August 2012 and have all the equipment by September 2012.

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 4th QUARTER

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

- **IVP to the Chilean Tax Administration to learn from the Chilean experience in the implementation of a Large Taxpayer Directorate** – FPEMP organized an IVP to the Chilean Tax Administration Large Taxpayer Directorate so that Salvadoran tax administration officials could learn from the experience that Chile has had in the implementation of the Large Taxpayer Directorate. The IVP was attended by the General Directorate for Internal Revenue (DGII) LTO Director, the Taxpayer Services Office Manager, the Fiscal Compliance Office Manager and the COP. The MOF officials learned important lessons on the implementation of the large taxpayer front and back office, taxpayer control techniques, IT system implementation, and Taxpayer Identification Number (NIT) dematerialization. The team took advantage of the training and will be implementing some of the protocols that the Chilean Tax Administration implemented in the front office. Additionally, they learned about the implementation of OPERACION RENTA and OPERACION IVA (fiscal compliance techniques) in the back office that helps to improve tax collections from large taxpayers. Finally, they learned about the implementation of the Data Analytics and Continuous Monitoring Software Solutions ACL for tax audit and the COP will evaluate the possibility of providing the DGII with two software licenses in order to help the LTO improve its tax control techniques.
- **IT assessment for the new LTO, Electronic kiosks, DGT Collections Call Center** – In order to support the technical assistance tasks to the DGII, FPEMP developed an IT assessment for the new LTO, Electronic Kiosks, and DGT Collections Call Center. The reason behind the assessment was to identify the level of obsolescence and technical requirements for the tasks so that FPEMP can successfully plan the activities and programs needed. FPEMP IT Manager in coordination with DGII IT Manager developed the assessment document.
- **Development of the Code Generator tool** – In order to support the CSMS I migration to CSMS II, during this quarter, FPEMP developed the Code Generator tool. This new tool reads database infrastructure to generate and pull together functional operative software that manages 4 basic operations (Create, Read, Update and Delete). Using this tool will help to continue with software developments, using business logic, procedures and special screens.
- **Equipment procurement for Large Taxpayer front office and back office** – The creation of the Large Taxpayer front and back office required equipment procurement. In order to successfully meet the taxpayer necessities, the officials needed to update their outdated equipment.

- **Collections Call Center Definition and equipment procurement** – One of the MOF's goals is to improve taxpayer compliance. Therefore, FPEMP identified the necessity to create a Collection Call Center operated by the DGT, similar to the Call Center implemented by the Tax Policy & Administration Reform (TPAR).

After defining the Collections Call Center Conceptual Model, FPEMP procured computers, headsets, and Uninterruptible Power Supply (UPS) for officials with the purpose to help them improve arrears collection from taxpayer with the existent Call Center technology.

- **TCA improvements** – After having assessed the TCA, FPEMP identified that the TCA needed some adaptations because new reforms had affected the TCA modules. As a result, the MOF created 10 use cases which are to be developed by FPEMP. From the 10 use cases, 8 have been successfully developed by FPEMP IT consultants adding additional functionalities to the TCA application and 2 are still pending. Some of the use cases have left the road clear to begin the TCA cleaning and some have improved the web services to taxpayers. The following are the use cases status:

1. Fast query about tax compliance status in web portal (without password). Status: Published in production
2. Taxpayer solvency request (with password). Status: Published in production
3. Automatic process to solvencies assignment. Status: Published in production
4. Internal request enter. Status: Published in production
5. Analysis supervision. Status: Published in production
6. Selection criteria for physical solvency. Status: Published in production
7. Request analysis. Status: Published in production
8. Resolutions enter process definition. Status: Developed and ready for tests

- **TRS improvements** – After having assessed the TRS, FPEMP identified that the TRS needed some adaptations because new reforms and/or outdated information had affected the TRS modules. As a result, the MOF created 12 use cases to be developed by FPEMP. From the 12 use cases, 7 have been successfully developed by the FPEMP IT consultants and 5 are still pending. The following are the use cases status:

1. Natural Person NIT inscription, changes in risk level. Status: Developed and ready for tests.
2. Natural Person VAT inscription, changes in search criteria. Status: Developed and ready for tests.
3. Natural Person NIT replacement, changes in search criteria. Status: Developed and ready for tests.
4. Natural Person VAT replacement, changes in search criteria. Status: Developed and ready for tests.
5. Corporate NIT and VAT replacement. Status: Developed and ready for tests.
6. Natural Person NIT unregisters. Status: Developed and ready for tests
7. Corporate NIT unregisters. Status: Developed and ready for tests

- **Development of the Component B AWP for year 2** – During the quarter, FPEMP developed the Component B AWP. The milestones and activities for the period from June 2012 to May 2013 were defined. After this, the plan was presented and discussed with the DINAFI Directress and Deputy Directress whom agreed with the entire second year work plan.

ACTIVITIES/ WORK PROGRESS

The following paragraphs contain a short description of specific activities developed during the fourth quarter for Component B:

- **Large Taxpayer front and back office implementation** – During the last month of the quarter, FPMP began the Large Taxpayer front and back office implementation. The program procured all the necessary equipment for the implementation. The activity is still ongoing and is expected to finish in June which is when the facilities will be launched.
- **TCA use cases development** – After the assessment of the TCA, FPMP is assisting the MOF in the development of 10 use cases which adapt to the newly introduced reforms and/or due to outdated information. From the 10 use cases, 2 are still pending, and these are:
 1. Help Table. Status: Pending
 2. Data reprocess. Status: Pending
- **TRS use cases development** – After the assessment of the TRS, FPMP is assisting the MOF in the development of 12 use cases which adapt to the newly introduced reforms and/or due to outdated information. From the 12 use cases, 5 are still pending, and these are:
 1. Corporation NIT and VAT inscription. Status: In progress
 2. Modified Section in form F-210. Status: In progress
 3. Card printing. Status: In progress
 4. Observations and comments enter. Status: Pending
 5. TRS query. Status: Pending
- **Coordination for the TRS cleaning process** – FPMP continued coordinating the TRS cleaning process. FPMP and DGII identified the causes that generated outdated information, duplicated information, and other internal tax administration process that cause bad information. Due to these problems, FPMP coordinated the manual and automatic cleaning process to solve the problems. In addition, during this cleaning, FPMP has planned to introduce international standards as the International Standard Industrial Classification of All Economic Activities revision 4. FPMP took the necessary time to begin the coordination for the TRS cleaning process.
- **Coordination for the TCA cleaning process** – FPMP continued coordinating the TCA cleaning process. FPMP and DGII identified the causes that generated outdated information, duplicated information, and other internal tax administration process that cause bad information. Due to these problems, FPMP coordinated the manual and automatic cleaning process to solve the problems. In addition, during this cleaning, FPMP has planned to introduce international standards. FPMP took the necessary time to begin the coordination for the TCA cleaning process.
- **Coordination for Hearings and Test Opening Unit (UAAP) use cases** – In order to upgrade the CSMS, one of the tasks is to create the UAAP module. Therefore, FPMP started to coordinate the development of the UAAP use cases. At the end of 2011, FPMP trained the CSMS users on requirements to develop use cases. The program began working in the use case requirements for the UAAP module to be integrated into the CSMS. The result will be the creation of the use cases and the vision document. In addition, FPMP has had meetings where the planning process was discussed.

- **Coordination for Internal Taxes and Customs Taxes Appeals Court (TAIIA) use cases** – In order to upgrade the CSMS, one of the tasks is to create the TAIIA module. Therefore, FPEMP started to coordinate the development of the TAIIA use cases. At the end of 2011, FPEMP trained the CSMS users on requirements to develop use cases. The program began working in the use case requirements for the TAIIA module to be integrated into the CSMS. The result will be the creation of the use cases and the vision document. In addition, FPEMP has had meetings where the planning process was discussed.
- **Coordination for DGT use cases** – In order to upgrade the CSMS, another task is to create the DGT module. Therefore, FPEMP started to coordinate the development of the DGT use cases. At the end of 2011, FPEMP trained the CSMS users on requirements to develop use cases. The program began working in the use case requirements for the DGT module to be integrated into the CSMS. The result will be the creation of the use cases and the vision document. In addition, FPEMP has had meetings where the planning process was discussed.
- **Coordination for Customs General Directorate (DGA) use cases** – In order to upgrade the CSMS, another task is to create the DGA module. Therefore, FPEMP started to coordinate the development of the DGA use cases. At the end of 2011, FPEMP trained the CSMS users on requirements to develop use cases. The program began working in the use case requirements for the DGA module to be integrated into the CSMS. The result of this will be the creation of the use cases and the vision document. In addition, FPEMP has had meetings where the planning process was discussed.
- **Development of the electronic kiosk implementation plan** – FPEMP, in coordination with the DGII, developed the implementation plan for the electronic kiosks. Both parties agreed to divide the implementation in two phases:
 1. Self-service kiosks
 2. Queue Manager Kiosk

FPEMP has the dates when they will start operating and have planned the activities for the successful implementation of the project.

NEXT STEPS

The main activities for the first quarter of year two are:

- **Launch of the Large Taxpayer front and back office** – During the next quarter, FPEMP in coordination with the MOF will launch the Large Taxpayer front and back office. It is planned to have the Minister of Finance, the United States Embassy Chargé D’Affaires, MOF executive staff, several large taxpayers and the press to attend the event.
- **Update of the TRS application** – FPEMP will continue to develop the use cases pending for development. The reforms will support the TRS cleaning process. In addition, more use cases will be developed.
- **Update of the TCA application** – FPEMP will continue developing use cases that will support the TCA cleaning process. The DGII has stated that the use cases will be ready by the third week of June 2012.

- **Upgrade of the CSMS application** – The use cases for the CSMS application will be ready by June 18. When these use cases are complete, FPEMP will begin the process of upgrading the CSMS to the new JBOSS platform where it will be implemented. The development process will be by-modules. FPEMP will begin with the case selection module, followed by the CSMS management, the workflow for selective audits and finishing with the massive audit module.
- **Establishment of the Collection Call Center** – After procuring the equipment for the Collection Call Center, the call center will start operations during the following quarter.
- **Taxpayer ID number dematerialization project** – During the Chilean IVP, the attendants had the opportunity to observe and learn from the Taxpayer ID number dematerialization with the possibility of applying it to El Salvador. The principal idea is to eliminate the 12,000 monthly transactions that are generated in the DGII related to the Tax ID number.
- **Self-service Kiosk implementation** – During the next quarter, FPEMP will implement the self-service electronic kiosk. In coordination with the DGII, FPEMP will define the services that will be available through the kiosks. The implementation will have three phases:
 1. IT research, Hardware and Software
 2. Hardware acquisition
 3. Software acquisition

For the software, FPEMP will hire a local company with experience in software development in compliance with the MOF standards. The source code will be part of the deliverables in order to be able to do future adaptations.

- **Development of the procurement plan for DGII** – After having developed the IT assessment for the DGII, FPEMP will start the procurement plan in order to meet all of the needs assessment. This equipment will support the tasks FPEMP is implementing in the revenue Component, as the TRS and TCA automatic and manual cleaning process and the CSMS upgrade. This plan must be completed and approved by July 2012 in order to begin the procurement in August 2012 and have all the equipment in September 2012.
- **Prepare the technical and logistical conditions for the TRS and TCA manual cleaning process** – The manual cleaning process will last 6 months and will be developed by 10 technicians for TCA and 10 technicians for TRS. The task will be managed by FPEMP consultant Sandra Urazan. During the month of August, FPEMP, in coordination with the DGII, will train the personnel, procure the computers, and organize the facilities to begin the task.

COMPONENT C: Private Sector Outreach

One of FPEMP's objectives is to bridge differences and build consensus through outreach and dialogue. FPEMP aims to reinvigorate the dialogue between the government, the private sector, and the broader public through sustained, vibrant public-private exchanges.

Given the complex political, social and economic landscape of El Salvador, following our annual work plan, this quarter was dedicated to continue activities towards obtaining the objective for this component. In coordination with the MOF and USAID, the project achieved major milestones for this component and expects to move forward with activities planned for the year beginning in the next quarter.

ACTIVITIES PREVIOUSLY PLANNED AND NOT IMPLEMENTED IN THE 4th QUARTER

According to the annual work plan and the previously submitted quarterly report, an activity was planned but not implemented during this quarter at the request of the MOF to postpone it.

- **Transparency Portal use cases** – During the quarter, FPEMP conducted the assessment for the Transparency Portal modernization. During the following quarter, the portal modernization will begin and if necessary the use cases for the portal reform will be developed.

KEY ACCOMPLISHMENTS FOR THE 4th QUARTER

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

- **Development of the Fiscal Transparency Policy Strategic Lines** – FPEMP, in coordination with the EU, developed fifteen strategic lines to be included in new GOES Fiscal Transparency Policy. There were two primary strategic lines developed by FPEMP. The first line talks about citizen audits. The objective of this line is to create a mechanism for citizens to audit government projects, where they will be able to follow through the entire project for their community. The second line talks about broadening the coverage and functionality of the current Fiscal Transparency Portal. The objective is to simplify the search and to publish information about collections, Public Investment, Financial Statements and Debt.
- **Forums on Fiscal Transparency Policy Strategic Lines** – FPEMP organized four forums to present the fifteen strategic lines to the civil society. Members of different segments of society participated including the private financial sector, think tanks, academia, political analysts, NGOs, donor's representatives, public sector institutions members and other civil society members. In total 45 persons attended the forums.

During these meetings, the participants accepted and agreed to the 15 Strategic Lines, which suggested the need to expand access of information to the common citizen who is not

familiar with this kind of data nor is able to access the internet. In addition, the creation of citizen's audits for public investment monitoring was very well received and emphasis was made on including youth.

- **IT assessment for EXPRESATE, DECAMH and EDUFIS** – In order to support the tasks to be developed in Component C, FPEMP developed an IT assessment for the EXPRESATE, DECAMH and EDUFIS. The reason behind this assessment is so that FPEMP can identify the level of obsolescence and technical requirements for the tasks in order to have well-planned activities for the program. FPEMP IT Manager in coordination with DGII developed the assessment document.
- **Assessment of the current Fiscal Transparency Portal** – The FPEMP Transparency consultant made an assessment of the current Fiscal Transparency Portal. In this assessment, the consultant developed a draft plan of action including short, medium and long term activities to strengthen and update the MOF Fiscal Transparency Portal. He also addressed how to include relevant information, strategies to make the portal more user-friendly, and ways to comply with the newly approved law for Public Information Access.
- **EXPRESATE project approval by the Vice Minister of Revenue** – In order to obtain the EXPRESATE project approval, FPEMP elaborated a Conceptual Model document following DGII Fiscal Education Unit proposal. The document and a power point presentation were submitted and presented to DINAFI and the Vice Minister of Revenue in order to explain the philosophy, objectives and results of the project which are in line with the Strategy for Partnership of Growth from the US Government.
- **Development of DECAMH functional reforms** – A Ministerial Agreement was developed and approved by the Minister of Finance which provides the new training department with more comprehensive and modern functions according to the MOF needs. The DECAMH functional reforms are the result of the capacity building assessment, the recommendations, and the resolution developed by FPEMP.

The Ministerial Agreement included the proposed organizational structure and functional capacities for each of DECAMH's areas. As a result, a new area was added (Planning and Development of Curricula Unit), and new functions were delineated for other areas including Implementation of Training Programs and courses, and cooperation for Capacity Building. It is important to highlight that the name of the DECAMH was modified to be "Ministry of Finance Training and Human Talent Development Department" (DTH-MH), which demonstrates the importance that the MOF places on human development for the improvement of functions and services. The name will be effective from the month of June.

- **Development of the Component C AWP for year 2** – During the quarter, FPEMP developed the Component C AWP. The milestones and activities for the period from June 2012 to May 2013 were defined. After this, the plan was presented and discussed with the DINAFI Directress and Deputy Directress whom agreed with the entire second year work plan.

ACTIVITIES/ WORK PROGRESS

The following paragraphs contain a short description of specific activities developed during the fourth quarter for Component C:

- **EXPRESATE project development** – During the quarter, FPMP prepared the EXPRESATE scope of work. The scope of work includes activities to be developed from the beginning to the end of the implementation.

After the development of the scope of work, FPMP launched a request for proposal in order to award the EXPRESATE project implementation to a Salvadoran individual or firm. Eighteen firms collected the information.

A meeting with 10 interested firms was held in order to answer questions and familiarize them with the site where the EXPRESATE Project is going to be installed. Proposals are due on June 15th, and the installation operations will begin on July 2nd. The project is planned to launch on September 7th.

- **DECAMH modernization task** – For the success of the former DECAMH modernization, the MOF must follow the proposed plan. Meetings have been held with the General Administrative Director, the Chief of the Human Resources Division and the Head of the new DTH-MS to design a schedule of events for continuing the process which includes the hiring of new personnel for the new section, transfer of personnel from other areas, conducting several consultancies, as well as provision of equipment and furnishing of training rooms.
- **Definition of the work plan for MOF Directorates technical area profiles development** – FPMP is working on the work plan for the MOF Directorates technical area profiles development. A consultancy is about to start in the next weeks to review and make recommendations of the basic main Post Profiles of each of the Directorates.

NEXT STEPS

The main activities for the first quarter of year two are:

- **Implementation of DECAMH modernization task**– During the next quarter, FPMP will implement the DECAMH modernization task. Strengthening the new functional areas with staff that will be hired or transferred from other MOF areas. FPMP consultants will conduct training, develop and review technical area profiles, as well as develop curricula for the expenditure and revenue Directorates.
- **Fiscal Transparency Strategic Lines integrated in the GOES Transparency Policy** – During the next quarter, FPMP will continue working with the EU and the Undersecretary of Transparency and Anticorruption in order to integrate the Fiscal Transparency Strategic Lines in the GOES Transparency Policy. The program will review the document prepared by the Presidential House in order to guarantee that the lines have been integrated into the final document.

- **Assessment and update of the MOF Directorates technical areas profiles** – The consultancy to assess and update the MOF Directorates technical area profiles will start during the next quarter.
- **EXPRESATE implementation and equipment procurement** – The firm awarded with the EXPRESATE project implementation will start the work on July 2. During the implementation, FPEMP will procure the necessary equipment for the facilities. It is planned that the activity will be finished by September 2012.
- **Training on course development** – During the next quarter, the FPEMP Capacity Building consultant Lee Niederman will give training on course development to the staff of the new DECAMH.
- **Training on train the trainer course** – During the next quarter, the FPEMP Capacity Building consultant Lee Niederman will give training on the train the trainer course to the staff of the new DECAMH.
- **Development of curricula for revenue and expenditure Directorates of the MOF** – For the next quarter, FPEMP has prepared two consultancies to develop curricula, one for the revenue Directorates and the other for the expenditure Directorates. It is planned that the activity will start in August 2012.

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 for Health, Agriculture and Education	Despite FPEMP efforts to obtain approval from the Budget Director for the budget modernization, the DGP Director has not taken a decision on this. The COP agreed on a work plan with the GIZ technical assistance program and it is expected that during the month of June the plan will be approved, otherwise the issue will be escalated to the Vice Minister of Finance.
Implement a fully operational TSA	The MOF made the decision to implement the TSA. It is expected that the centralized payment systems will start operation in January 2013.
Develop and implement the SAFI II	The DINAFI, with support of FPEMP, EU, and GIZ, is developing the Conceptual Models for the new SAFI II. It is expected that by the end of August the different systems model will be finished.
Develop and implement an e-Procurement System	The MOF, with the support of the IDB, is working to develop the e-procurement system.
Increase tax revenues by 2.0% of GDP by 2015	The MOF is reforming the LTO with FPEMP support. It is expected that the new LTO will help the GOES to increase the revenue and compliance in order to meet the proposed goals.
Develop new scenarios for private sector and civil society participation in fiscal matters and new transparency and accountability practices	The FPEMP is supporting the MOF to improve the transparency portal and the Fiscal Transparency Policy.
Successfully implement current and future tax reforms	During the previous quarter, the DGII with FPEMP support 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, FPEMP worked with the GIZ program on the budget modernization which was proposed to the DGP Director. As agreed, GIZ will develop the new programmatic budget, the Medium Term Expenditure Framework and Institutional Framework, and the ROB methodology and manuals during the first three quarters of the project second year. During the last quarter of the second year, FPEMP will support the implementation of the three systems in 12 GOES entities.
2. Treasury enabled to make electronic payments on behalf of GOES entities by the end of the project	The program developed the CP for the TSA implementation. During the following quarter, FPEMP consultant Jorge Domper will conduct an assessment and will work with the DGT to develop a detail work plan for the TSA implementation.
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 12 GOES entities and will provide the necessary training to the budget units of these institutions. During the quarter, FPEMP finally reach an agreement with GIZ on the work plan to be implemented.
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, Medium Term Expenditure Framework, and ROB to the MOF personnel will be delivered by GIZ. FPEMP will provide this type of training to the 12 GOES institutions that the MOF will assign by the end of the second year.
5. Support the MOF in the migration from SAFI to SAFI II	FPEMP worked with DINAFI to develop the business process analysis of the Investment System, Public Debt and Assets Management Systems in order to proceed with Conceptual Model development.

Fiscal Policy & Expenditure Management Program (FPEMP)

6. Introduce and promote implementation of IPSAS	FPEMP coordinated with the MOF, the programming of the tasks of IPSAS adoption. This task will take place during the following quarter.
7. A functional web-based Public Expenditure Tracking System available to the public.	FPEMP assessed the current MOF transparency portal.
COMPONENT B	
8. Up-to-date, consistent and clean Taxpayer Current Account (with modern database management guidelines)	FPEMP made reforms in several functionalities of the TCA that will improve system integrity. Additionally, it continued coordinating the TCA cleaning task.
9. Up-to-date, consistent and clean Taxpayer Registration System (with modern database management guidelines)	FPEMP made reforms in several functionalities of the TRS that will improve system integrity. Additionally, it continued coordinating the TRS cleaning task.
10. Up-to-date, consistent and updated Case Selection Management System (with modern database management guidelines)	FPEMP developed the Code Generator Tool that will support the CSMS migration and update. Additionally, FPEMP supported the use case development.
11. An automated functional system, which reconciles the taxpayer database on a periodic basis	FPEMP made reforms to several functionalities of the TRS and TCA that will help reconcile taxpayer data electronically.
12. No less than 300 MOF personnel trained to effectively apply the fiscal reforms in order to generate the expected additional income	During the previous 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 quarter, FPEMP began the LTO front and back office implementation. FPEMP procured all the necessary equipment for the implementation. The office is expected to be launched in June.
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 previous 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 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. These efforts are the foundation of the future public-private sector commission that will oversee and track the budget and the public expenditure.
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	FPMP continued supporting the reforms of the MOF's DECAH. During the quarter, FPMP in coordination with the MOF Human Resources Department developed the resolution that provided new functions and responsibilities to the DECAH in accordance with the recommendations provided by FPMP. The Vice Minister of Finance approved and signed the resolution which created the new training center.
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	The MOF has not made decisions on this regard yet.