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El Salvador Fiscal Policy and Expenditure Management Program (FPEMP)

Quarterly Report
March – May 2013

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FISCAL POLICY AND EXPENDITURE MANAGEMENT PROGRAM (FPEMP)

QUARTERLY REPORT
March - May 2013

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ACRONYMS

AECID	Spanish International Cooperation
CSMS	Case Selection Management System
DAI	Development Alternatives Incorporated
DFDMH	MOF Training and Human Talent Development Department
DGA	Customs General Directorate
DGCG	General Directorate for Government Accounting
DGII	General Directorate for Internal Revenue
DGP	Budget General Directorate
DGPEF	General Directorate for Fiscal and Economic Policy
DGT	Treasury General Directorate
DINAFI	National Directorate for Financial Administration
EU	European Union International Cooperation
FPEMP	Fiscal Policy Expenditure Management Program
GIZ	German International Cooperation
GOES	Government of El Salvador
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IRM	Information Resource Management Office
IT	Information Technology
IVP	International Visitors Program
JSIIT	Taxpayer Information Integrated System
MOF	Ministry of Finance
PFG	Partnership for Growth
SAFI	National Financial Management System
TCA	Taxpayer Current Account
TRS	Taxpayer Registration System
TSA	Treasury Single Account
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 (FPEMP) is to support a technical assistance program to the Government of El Salvador (GOES) Ministry of Finance (MOF) in the areas of public expenditure management systems, tax policy and administration and public-private dialogue between the government, the private sector and civil society. The main counterpart for these activities is the MOF.

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 March to May 2013, the eighth quarter of the program, are listed below:

Quarterly results

- Approval from the Costa Rican MOF to use the general accounting policy manual
- Training on financial instruments under IPSAS
- IVP to Argentina to learn about the Argentinian TSA system
- IVP to Argentina to learn about the Argentinian Integrated Financial Information System
- IVP to Ecuador to learn about income tax audit techniques
- Official launch of the fiscal compliance system
- Approval of the procurement second phase from USAID IRM
- Development of the proposal of career plan, and training plan of trainers and performance evaluation
- Training on curricula development for the DFDMH
- Training on train-the-trainers for performance evaluation based on competencies
- Development of the new strategy for data loading and incorporation of new dynamic data model for the fiscal transparency portal
- EXPRESATE project area launch

Other Activities Performed

- IPSAS adoption project
- TSA implementation project

- Budget modernization project
- Support of the SAFI II budget formulation module
- PFG goal 4 follow-up
- Component A IT implementation
- TRS and TCA cleaning process project
- CSMS II modules (selector, management and fiscal compliance) stabilization process
- Development of the DGII audit module and the DGA audit sub-module of the CSMS II
- Follow-up the TCA procedures improvement for DGII and DGT
- Component B IT implementation
- Development of the DFDMH computer lab
- Follow-up DFDMH training rooms improvements
- Component C IT implementation
- EXPRESATE project activities follow-up

Introduction

This report covers FPEMP activities during the period from March 1, 2013 to May 31, 2013. The program began on June 10, 2011, when USAID and DAI signed the contract. The program is for four years with an optional fifth year. The four-year base period concludes on June 9, 2015.

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

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

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

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

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

Component A – FPEMP continued supporting the IPSAS adoption project by supporting General Directorate for Government Accounting (DGCG) in the development of the accounting conceptual framework, the evaluation of alternatives for the accounting policy manual development strategy, and delivered training on financial instruments under IPSAS. The Chief of Party requested support from the Costa Rican MOF in order to obtain their approval to use their IPSAS policy manual as a reference, saving time and efforts in the Salvadoran manual development. In addition, the DGCG requested support from the program to assist in the development of a conceptual model for the public accounting subsystem under IPSAS.

Regarding the TSA implementation project, the program has continued providing follow-up to the TSA implementation activities. The TSA first phase implementation was launched on May 5. Additionally, the Treasury General Directorate (DGT) and the National Directorate for Financial

Administration (DINAFI) requested the program support for the development of the TSA catalogues and the use cases design of the National Financial Management System (SAFI) II treasury subsystem. Finally, the program developed an International Visitors Program (IVP) to Argentina on TSA.

On the budget modernization project, FPEMP discussed the proposals for the functional administrative reform of the Budget General Directorate (DGP) and obtained a final decision from the DGP on the model to be implemented. The program began the development of the technical document to successfully implement the DGP functional administrative reform. The support to Ministries in the development of the budget programs was postponed for the second semester of 2013.

Finally, FPEMP continued supporting DINAFI in the design of the use cases for the SAFI II budget formulation subsystem. Additionally, FPEMP organized an IVP to Argentina on the Argentinian Integrated Financial Information System development experience, the training was attended by DINATI Information Technology (IT) staff.

Component B – During the quarter, the program continued to make progress in carrying out tasks under this component. FPEMP continued the development of the TRS and TCA cleaning process with important results.

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

Regarding the CSMS II, the program began the development of the DGII audit module and the Customs General Directorate (DGA) audit sub-module, and continued supporting the stabilization of the case selector, case management, and fiscal compliance modules.

Also, the program developed an IVP to Ecuador on income tax audit techniques. The training was attended by DGII staff from the large taxpayer Office.

Component C – FPEMP continued working on the fiscal transparency project, developing the new strategy for data loading and incorporation of new dynamic data model for the fiscal transparency portal. Additionally, FPEMP began the process of hiring a company to redesign the fiscal transparency portal to make it more user-friendly.

FPEMP launched the EXPRESATE Center. The event was attended by the Vice Minister of Revenue, the USAID Economic Growth Office Deputy Director, the MOF executive staff, the international community, high school students and the press.

The task of developing the new human resources system was finished. The program submitted to the Vice Minister of Finance and the Human Resources Department the final deliverable for the employee profiles, curricula, career plans, performance evaluation and train-the-trainers. The

MOF requested the support of the program in the implementation phase. The program will provide two more months of consultancy to guarantee the successful implementation of the new human resources system.

COMPONENT A: Public Expenditure Management

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

ACTIVITIES PREVIOUSLY PLANNED AND NOT IMPLEMENTED IN THE QUARTER

One activity was planned for this quarter based on the previously submitted quarterly report, but was not implemented:

- **Design of the strategy for the development of the budget programs in three Ministries –** During the quarter, FPEMP stated to the DGP that it will support them in the design of the strategy for the development of the budget program in three Ministries (Health, Agriculture and Economy). Until the end of the quarter, the DGP has not yet taken the decision about the participations of the consultants and the activities to develop. FPEMP expects to have a DGP decision in the near future.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

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

- **Approval from the Costa Rican MOF to use the general accounting policy manual –** The Costa Rican MOF has already developed the IPSAS policy manual and is now ready to implement it. In order to save time and money, the FPEMP Chief of Party requested to the Minister of Finance from Costa Rica the approval to use their policy manual as a reference for the Salvadoran policy manual. In May, FPEMP received the approval from the Costa Rican Minister of Finance and is currently coordinating with the GOES the drafting of an agreement between both governments for the use of the document.
- **Training on financial instruments under IPSAS –** During the quarter, FPEMP financial instruments consultant Gustavo Munoz delivered training on financial instruments under IPSAS. The training was attended by 30 officials, including 9 women. The officials represented entities such as DGCG, DGT, General Directorate for Public Investment and Credit, General Directorate for Fiscal and Economic Policy (DGPEF), Hydro-electrical Commission (CEL), Social Fund For Housing (Fondo Social para la Vivienda), Solidarity Fund for Small Business Owners Family (Fondo Solidario para la Familia Microempresaria), Social Prevision Fund of the Armed Forces (Fondo de Prevision Social de la Fuerza Armada), National Fund for Popular Housing (Fondo Social para la Vivienda Popular), Central Bank, and Autonomous Executive Port Commission (CEPA). The attendants learned about simple financial securities, financial leasing, loans interest accounting record, financial

risk management and exposure, and derivative financial securities. The training helped the attendees learn key technical issues to be consider when adopting the IPSAS.

- **IVP to Argentina to learn about the Argentinian TSA system** – During the quarter, FPEMP conducted an IVP to the Argentinian Treasury Office to learn about the TSA. In attendance were the Vice Minister of Revenue, the DGT Director, and the DGT IT Manager. The participants learned about the TSA implementation, the payments system, financial operations, detailed organization structure of the Treasury Office, financial programming, automated bank reconciliation process, and bank account management in the TSA system.
- **IVP to Argentina to learn about the Argentinian Integrated Financial Information System** – During the quarter, FPEMP conducted a separate IVP to Argentina to learn about the Argentinian Integrated Financial Information System, which works in a web environment. In attendance were the Deputy Chief of Party and three DINAFI IT officials (DINAFI officials expenses were funded with WB funds). They learned about the design strategy, the system scope, the system architecture, development methodologies, non-functional requirements, connection between other systems, and the implementation strategy.

ACTIVITIES/WORK IN PROGRESS

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

- **IPSAS adoption project** – During the quarter, FPEMP supported the DGCG in the completion of the public accounting framework which was submitted for approval. The program also began the development of the accounting conceptual model subsystem under IPSAS that will be included in the SAFI II and will be used as a road map for the DGCG in the IPSAS adoption process.
- **TSA implementation project** – During the quarter, FPEMP has been doing follow-up activities to the TSA implementation. The MOF finished the first phase of implementation during the quarter. The GOES entities that now are working under the TSA are the MOF, the Civil Service Court and the National Judiciary Council. The rest of the institutions will be implementing the TSA gradually during the year and it is expected that all the institutions will be using the TSA for the end of the year.

In addition, the MOF requested support to design the SAFI II treasury sub-system use cases. FPEMP is now working with the DGT in the development of the Scope of Work.

- **Budget modernization project** – During the quarter, FPEMP continued working in the budget modernization project. The DGP took a decision about the strategy to follow regarding the DGP functional administrative reform. A technical document draft with the activities to implement for the reform will be developed and submitted to the DGP in the next quarter. Special emphasis has been given to the monitoring and evaluation role under the new structure (a new key role for DGP).
- **Support the design of the SAFI II budget formulation module** – FPEMP continued supporting DINAFI in the design of the SAFI II budget formulation module. Until May 31st,

the DINAFI design team has a 50% progress. It is expected that by the end of June the use case will have an advance of 80% and DINAFI will contract IT developers with WB funds.

- **Partnership for Growth (PFG) goal 4 follow-up** – During the quarter, FPEMP followed-up the PFG goal 4 milestones. The program prepared a report for USAID regarding the activities progress and met with the DGPEF to discuss about the milestones for the period from May to November 2013.
- **Component A IT implementation** – During the quarter, FPEMP received the IT equipment for Component A. FPEMP began donating the equipment for the different Directorates. The donation is as follows:
 - DINAFI = 4 laptops
 - DGT = 50 desktops
 - DGP = 50 desktops
 - DGCG = 30 desktops and 5 laptops

NEXT STEPS

The main activities for the next quarter are:

- **Development of the accounting conceptual model subsystem under IPSAS** – During the following quarter the program will finish the development of the accounting conceptual model under IPSAS. This model will be used as a road map for the IPSAS adoption within the GOES, and will be the base for the requirements of the SAFI II accounting subsystem.
- **Support the development of the accounting policy manual under IPSAS** – FPEMP will begin the coordination and support for the development of the Salvadoran public accounting policy manual under IPSAS, using as a reference the Costa Rican manual and following the IPSAS international regulation. It is a complex and long task that will be finished by the end of the program.
- **Follow-up the TSA implementation** – The program will continue providing support and follow-up to the TSA implementation. More entities will have the TSA implemented by the end of the next quarter.
- **DGP functional administrative modernization proposal technical document** – During the next quarter, FPEMP will develop the DGP functional administrative modernization proposal technical document. The document will contain the recommendations for the organization structure, detailed functions of the DGP Executive Staff, the Revenue and Public Expenditure Programming Division, the Budget Management and Expenditure Quality Division, among others.
- **Support the implementation of the DGP functional and administrative modernization** – Once the technical document is approved by the DGP, FPEMP will support its implementation. The support will comprise the period from June to November 2013.

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:

- **IVP to Ecuador to learn about income tax audit techniques** – FPEMP conducted an IVP to Ecuador to learn about income tax audit techniques. In attendance were the large taxpayer office Deputy Director and two other large taxpayer office officials. The participants learned about the Ecuadorian experience in auditing communications and oil companies, as well as the implementation of transfer pricing control techniques.
- **Official launch of the fiscal compliance system** – FPEMP in coordination with the GIZ officially launched the new fiscal compliance system. GIZ provided furniture and desktops to the officials that will use the system and FPEMP developed the software. The software includes three modules of the CSMS II (selector, management and fiscal compliance) that have introduced new control flows, screens, variables, business rules, cloning, execution, exporting and case transfers. To the event attended the Vice Minister of Revenue, the USAID Bilateral Program Economic Growth Office Directress and USAID Contracting Officer Technical Representative, GIZ project Director, international donors and DGII Directors and staff.
- **Approval of the procurement second phase from USAID Information Resource Management Office (IRM)** – During the quarter, FPEMP received approval from the USAID IRM for the second phase of the procurement. The second phase includes the procurement of 6 kiosks for the self-service system previously implemented by FPEMP, the procurement of 1 queue management system kiosk, and the developments of the CSMS II.

ACTIVITIES/WORK PROGRESS

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

- **TRS and TCA cleaning process project** – Regarding the TRS cleaning, FPEMP effectively began the cleaning process during the quarter. The TRS cleaning group is comprised by 10 interns. The cleaning group has suffered system breakdowns during the whole quarter. To solve these problems, FPEMP has met with DINAFI and MOF authorities in order to be able to guarantee the system stabilization. The Vice Minister of Revenue has expressed his entire support to solve the system problems. Despite all these problems, until May, FPEMP has cleaned 3,022 taxpayers registries; including 479 large taxpayers, 1,571 middle taxpayers, and 972 small taxpayers. The program was originally assigned to clean 2,720 taxpayers; the additional 302 taxpayer attended the process without previous appointment. Once the 3,022 were cleaned, the DGII assigned 8,404 which will be cleaned during the following 4 months.

It is expected that only 50 to 60% will be cleaned, the remaining amount will be cleaned by the new TRS Cleaning Office.

Regarding the TCA cleaning, FPEMP effectively began the cleaning process during the previous quarter. The TCA cleaning group is comprised by 10 interns. The TCA cleaning group has been encountering as well the system problems. Despite this, until May, FPEMP has cleaned 10,414 taxpayers current account records from the 21,523 records assigned. It is expected that FPEMP will clean the remaining accounts.

- **CSMS II modules (selector, management and fiscal compliance) stabilization process** – During the quarter, FPEMP continued working on the CSMS II modules stabilization process. The CSMS II has been used to notify 16,000 taxpayers that showed inconsistent data. This has supported the MOF to collect \$1,000,000 dollars.
- **Development of the DGII audit module and the DGA audit sub-module of the CSMS II** – During the quarter, FPEMP began the development of the DGII audit module and the DGA audit sub-module of the CSMS II. In addition, FPEMP will incorporate a team from the MOF that will be following the development process, configuration, use cases corrections, and module tests. This work is expected to be finished by the end of 2013.
- **Follow-up the TCA procedures improvement for DGII and DGT** – During the quarter, FPEMP has followed-up the implementation of web services between banks and the MOF that will improve the data transfer process between banks and the MOF (currently they only transfer and average of only 70% of the tax returns data, generating a high pollution of the TCA system). The MOF has given the banks an extension to implement the web services with the due date of July 1st.
- **Component B IT implementation** – During the quarter, FPEMP received the IT equipment for Component B. FPEMP began donating the equipment for the different Directorates. The donation is as follows:
 - DGII = 21 desktops for the TRS and TCA cleaning
 - DGII = 60 laptops for the large taxpayer office

NEXT STEPS

The main activities for the next quarter are:

- **TRS and TCA cleaning process project** – Regarding the TRS cleaning, during the next quarter FPEMP will continue with the project. As explained before, once the 3,022 taxpayer registries assigned were cleaned; the DGII assigned other 7,798 new registries to clean. Based on the current production standard, it is not possible to clean all the 7,798 registries, which means that by September, only 50% to 60% will be cleaned. The remaining amount will be cleaned by the new TRS Cleaning Office. Nevertheless, the program expects to improve this estimate.

Regarding the TCA cleaning, during the next quarter FPEMP will continue with the project. It is expected that by September, the TCA cleaning will be completed.

- **Development of the audit DGII module and the audit DGA sub-module of the CSMS II** – During the following quarter, FPEMP will continue the development of the DGII audit module and DGA audit sub-module of the CSMS II.
- **Follow-up the TCA procedures improvement for DGII and DGT** – During the following quarter, FPEMP will continue providing follow-up activities to the implementation of the web services. In order to secure the implementation FPEMP will meet with the Vice Minister of Revenue.
- **Follow-up the risk management matrix for tax control implementation** – During the following quarter, FPEMP will follow up the designing of the new risk matrix. The designing first phase will take four months and if requested by the MOF, FPEMP will develop the matrix within the CSMS II.
- **Follow-up the DGII Taxpayer Information Integrated System (JSIIT) migration process** – FPEMP will follow-up the JSIIT migration process that the DGII is undertaking. This migration is necessary to develop some requirements requested by DGII for the TRS and TCA. In addition, it is necessary in order to design the TCA interphase between DGT and DGII.

COMPONENT C: Private Sector Outreach

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

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

ACTIVITIES PREVIOUSLY PLANNED AND NOT IMPLEMENTED IN THE QUARTER

Two activities were planned for this quarter based on the previously submitted quarterly report, but not implemented:

- **Development of the proposal for the local governments incorporation within the fiscal transparency initiative** – Based on the initial efforts made by the program in the elaboration of the agreement between the MOF and the municipalities which is currently under revision, the program expected to continue the formulation of a strategy for the incorporation of the financial information of local government. Though the MOF declared a great interest to carry on this project to complete the MOF fiscal transparency portal, the dialogue and negotiation between the MOF authorities and Salvadoran Municipalities did not move forward due to the political uncertainty generated by the pre-electoral campaign. The Minister of Finance advised to wait for a better political moment.
- **Change management initiative** – During the beginning of the project, the MOF assigned this activity to the WB, and then requested the program develop a concept paper on this component. Finally, the MOF decided to use the WB resources to develop and implement the entire change management strategy.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

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

- **Development of the proposal of career plan, and training plan of trainers and performance evaluation** – During the quarter, FPMP developed the career plan, and training plan of trainers and performance evaluation. Specialized personnel of each MOF Directorates were involved in the career plans and training plan formulation process. In total, the MOF personnel that participated in the curricula development process were 109 persons, including 50 women.

- **Training on curricula development for the DFDMH** – FPEMP delivered training on curricula development for the MOF Human Resources Department. A total of 13 people attended the training, of which 10 were women, including the Department Directress. The purpose of the training was for participants to understand the competency-based methodology and to be able to apply it in the future given that talent development and training is an ongoing process that must be addressed as a part of changes to the MOF.
- **Training on train-the-trainers and training on performance evaluation based on competencies** – The FPEMP technical area profiles consultants delivered training on train-the-trainers and training on performance evaluation based on competencies for officials of the MOF Directorates. The training was attended by 35 officials, including 20 women.
- **Development of the new strategy for data loading and incorporation of new dynamic data model for the fiscal transparency portal** – During the quarter, FPEMP developed the new data loading model for the following modules:
 1. Public Debt
 2. Public Investment and Credit
 3. Revenue
 4. Budget Execution

Additionally, FPEMP delivered a technical document to DINAFI with the steps to follow to implement the data models.

- **EXPRESATE project area launch** – FPEMP in coordination with the MOF officially launched the EXPRESATE project area. The Vice Minister of Revenue, the USAID Economic Growth Office Deputy Director, USAID officials, MOF executive staff, international donor community representative, students from a high school center and the press, attended the event.

ACTIVITIES/WORK PROGRESS

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

- **Development of the DFDMH computer lab** – During the quarter, FPEMP continued with DFDMH computer lab development. The MOF has almost finished the facilities improvements; the only change missing is the data network for the desktops. In addition, FPEMP donated 20 rolling chairs for the area. It is expected that the computer lab will be ready the next quarter.
- **Follow-up the DFDMH training room improvements** – During the quarter, FPEMP followed-up the DFDMH training room improvements activities made by the MOF. The MOF finished the facilities improvement which includes painting the rooms, implementing room's partitions, setting curtains, among others. In addition, FPEMP donated 140 chairs for all the rooms.
- **Component C IT implementation** – During the quarter, FPEMP received the IT equipment for Component C. FPEMP began donating the equipment for the different Directorates. The donation is as follows:

- DFDMH = 20 desktops
- EXPRESATE = 20 desktops and 2 laptops
- **EXPRESATE project activities follow-up** – During the quarter, FPEMP continued to perform follow-up activities to the EXPRESATE project. Until May 31, the numbers of students that have visited the facilities are 474, including 275 women.

NEXT STEPS

The main activities for the next quarter are:

- **Support the implementation of the MOF human resources system** – The MOF requested an extension for the FPEMP technical area profiles consultants to support the implementation of the MOF human resources system. During the following quarter, FPEMP consultants will support the system implementation process. The consultants will prepare a detailed work plan for two months and an implementation follow-up guide for the MOF.
- **Training on the new human resources system for the MOF executive staff** – During the following quarter, FPEMP will deliver a training on the new human resources system for the MOF executive staff to sensitize them about the changes from the current tradition model to the competency based model, and to disseminate the content and methodology of the process to secure a successful implementation. This task will be undertaken once the Human Resources Department has finished the incorporation of the technical area profiles into the Presidential House Human Resources System.
- **Launch of the DFDMH computer lab and the MOF human resources system** – Once the DFDMH computer lab implementation is completed, FPEMP will officially launch the center in conjunction with the MOF human resources system.
- **Fiscal transparency portal improvements**– During the following quarter, FPEMP will continue with the technical support for the fiscal transparency portal improvements. FPEMP will begin the validation of the data loading models with the Directorates and will develop what is requested. In addition, a web graphics design company will be hire to develop the new portal design.

MOF's Progress towards GOES goals

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

GOES Target	Progress
Build the foundations to move from the current budget system to a result-oriented budget system.	During the quarter, the DGP developed a draft of the new programmatic budget classifiers and approved the model of the proposed DGP structure that FPMP prepared.
Implement a fully operational TSA	During the month of May, the MOF launched the TSA first phase. The institutions now using the TSA include the MOF, the Civil Service Court and the National Judiciary Council.
Develop and implement the SAFI II	The MOF with the support of FPMP made important advances in the design of the use cases for the budget formulation module of the SAFI II. By the end of May, the design is close to the 50%.
Develop and implement an e-Procurement System	The MOF, with IDB support, is working to develop the e-procurement system.
Increase tax revenues by 2.0% of GDP by 2015	During the quarter, the MOF continued supporting the TRS and TCA cleaning project. By May 31 st the total of TRS registries cleaned were 3,022 and the TCA accounts cleaned 10,414.
Develop new scenarios for private sector and civil society participation in fiscal matters and new transparency and accountability practices	The MOF continued supporting the initiative of reforming the fiscal transparency portal.
Successfully implement current and future tax reforms	In January 2012, the DGII, along with FPMP, 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 budget by the end of the project	FPEMP obtained the DGP approval of the new functional administrative structure and will develop the technical document with the detailed structure and functions.
2. Treasury enabled to make electronic payments on behalf of GOES entities by the end of the project	FPEMP continued following-up the TSA implementation and began the process for hiring a consultant that will design the treasury subsystem catalogues and use cases for SAFI II. Additionally, the program organized an IVP on TSA development and implementation to Argentina. The training was attended by the Vice Minister of Revenue, the DGT Director and the DGT IT Manager.
3. A strengthened MOF Budget-Planning Unit by increasing the knowledge and IT resources of each unit	FPEMP made the IT procurement for DGP and assigned 50 desktops to DGP to be used in the budget modernization program.
4. Six hundred MOF personnel trained in modern expenditure system management techniques by the end of the project	The program is expecting the DGP decision on the sectors that FPEMP will support in the development of the budget programs. Once it is decided, the necessary training will be provided. The program will provide training through Georgia State University and FPEMP consultants.
5. Support the MOF in the migration from SAFI to SAFI II	The program coordinated and provided guidance on the design of the use cases for the budget formulation module for SAFI II. Additionally, the program organized an IVP to Argentina on Government Financial Information Systems development. The training was attended by 3 DINAFI IT experts. Their trip was funded by the WB.
6. Introduce and promote implementation of IPSAS	During the quarter, the accounting framework under IPSAS was finished and the development of the conceptual model under IPSAS began. Additionally, the Chief of Party requested from the Costa Rican Government the authorization to use the IPSAS policy manual. The approval was obtained.
7. A functional web-based Public Expenditure Tracking System available to the public.	FPEMP developed the new strategy for data loading and incorporation of the new dynamic

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	data model.
COMPONENT B	
8. Up-to-date, consistent and clean Taxpayer Current Account (with modern database management guidelines)	During the quarter, FPMP continued with the TCA clean. By May 31 st , the total of TCA accounts cleaned was 10,414.
9. Up-to-date, consistent and clean Taxpayer Registration System (with modern database management guidelines)	During the quarter, FPMP continued with the TCA cleaning. By May 30 th the total of TRS registries cleaned were 3,022.
10. Up-to-date, consistent and updated Case Selection Management System (with modern database management guidelines)	During the quarter, FPMP began the development of the DGII audit module and the DGA audit sub-module. The program supported the case selection, case administration and fiscal compliance module stabilization.
11. An automated functional system, which reconciles the taxpayer database on a periodic basis	FPMP continued coordinating the MOF efforts to implement the web services to improve the data transfer from the DGT and the banking institutions and the interphase plan programming between DGT and DGII.
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, FPMP provided support to the DGII in the training of 2011 fiscal reforms to 83 MOF personnel.
13. Provide technical support in the strengthening of the Large Taxpayer Unit areas of income tax and transfer pricing audit techniques	During the previous quarter FPMP developed an IVP to Ecuador on income tax audit techniques. The training was attended by large taxpayer office staff. Additionally, the program procured the IT equipment for the large taxpayer office, 60 laptops were assigned.
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 program's third quarter, FPMP 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	As explained before, FPMP continued moving forward with the improvement of the fiscal transparency portal.
16. Development of a Fiscal Transparency Policy with the MOF and GOES	FPMP launched the EXPRESSATE Center. The EXPRESSATE Center was highlighted by the civil society as a priority in the GOES transparency policy.
17. A functional state of the art in-house training program to provide MOF personnel with continuous up-to-date techniques and technical knowledge	During the quarter, FPMP finished the development of the new human resources system for the MOF that includes the new curricula and performance evaluation. The products were delivered to the MOF for

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	implementation. Additionally, the program began the DFDMH computer lab development.
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 yet made decisions on this.