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El Salvador Fiscal Policy and Expenditure Management Program (FPEMP)

Quarterly Report
March 2014 – May 2014

June 2014

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FISCAL POLICY AND EXPENDITURE MANAGEMENT PROGRAM (FPEMP)

QUARTERLY REPORT
March 2014 - May 2014

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ACRONYMS

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

Executive Summary

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

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

FPEMP has three main components. These are:

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

Highlights for March to May 2014, the last quarter of year three, are listed below:

Quarterly results

- Reviewed and gained approval of the chart of accounts under IPSAS
- Delivered workshop to validate the treasury subsystem use cases
- Supported the organization and beginning of the SAFI II use cases design
- Developed and gained approval of the budget execution conceptual model
- Completed the development of the PAAC module of COMPRASAL II
- Completed the Component A, B and C third year evaluation
- Supported the deployment of CSMS II "Fedatarios" module
- Supported the deployment of CSMS II "Punto Fijo" module
- Supported the deployment of CSMS II "Gestion de Cartera" module
- Developed the CSMS II selective audit module
- Reviewed the fiscal transparency portal progress with Brazilian Cooperation
- Delivered a workshop on fiscal transparency, the role of civil society, accountability, and outreach strategies with Brazilian Cooperation
- Organized an IVP to Brazil to learn about Brazilian fiscal transparency practices
- Gained recognition from the US Ambassador in Brazil on the progress made on the fiscal transparency initiative by FPEMP, Brazil and the GOES

- Developed the strategy to produce the Chapter III of the white paper on fiscal sustainability for El Salvador

Other Activities Performed

- Recommendations on fiscal sustainability for El Salvador
- Development of the IPSAS adoption technical implementation plan
- Development of the IPSAS procedures and policy manual
- Support for the implementation of the DGP functional administrative reform
- Support for the SAFI II use cases design
- Support for the SAFI II development strategy
- Accounting subsystem use cases design
- Treasury subsystem use cases design
- Budget execution use cases design
- Support for the COMPRASAL II use cases design
- Support for the review and validation of the SIRH use cases
- Web services implementation monitoring
- TCA procedures improvements for DGII and DGT monitoring
- Development of the CSMS II UAAP module
- Development of the CSMS II contact center module
- Redesign of the fiscal transparency portal
- EXPRESATE center activities monitoring
- Support for the implementation of the MOF Human Resources system based on competencies
- Development of the white paper on fiscal sustainability

Introduction

This report covers FPMP activities during the period from March 1, 2014 to May 31, 2014. The program began on June 10, 2011, when USAID and DAI signed the contract. The program is for four years with an optional fifth year, and the entire four-year base period concludes on June 9, 2015.

USAID commissioned DAI and its FPMP 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.

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

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

Component A – The program began the extensive support to the National Financial Management System (SAFI) II development by supporting the definition of the system development strategy and the use cases design of the accounting subsystem, treasury subsystem and budget execution module. As agreed with the Vice Minister of Finance, the system will be developed following FPMP standards and strategies. The use cases design for the accounting subsystem and the budget execution module began with the program expert's support. The treasury subsystem use cases were designed by the program experts and were finally delivered to the Treasury General Directorate (DGT) for validation and final adjustments. It is expected that by September 30 the use cases of the three areas will be completed.

Regarding the International Public Sector Accounting Standards (IPSAS) adoption, the program reviewed and gained approval of the chart of accounts under IPSAS, supported the beginning of the IPSAS procedures and policy manual development and began the development of the IPSAS adoption technical implementation plan by performing a Strengths Weakness Opportunities and Threats (SWOT) analysis that will be presented in September.

Regarding the budget modernization, the program developed the conceptual model for the budget execution and in communication with the Vice Minister of Finance insisted on the need to make the necessary changes in the budget execution module to comply with the law, obtain an appropriate balance between revenues and expenditures, control the sovereign debt, reduce the fiscal deficit, and improve the public finance performance. Specifically, FPMP recommendations were as follows:

- Include the special budgets on the GOES general budget

- Develop the expenditure budget based on the forecasted net revenues instead of the current approach based on gross revenues
- Include the previous year's fiscal deficit on the annual budget
- Eliminate special revenues and include them in the GOES general treasury revenues
- Guarantee the successful implementation of the programmatic budget on a results-oriented basis
- Guarantee the successful development and implementation of SAFI II for January 1, 2017

Additionally, the program continued supporting the implementation of the Budget General Directorate (DGP) functional administrative reform.

Regarding the development of the e-Procurement System (COMPRASAL) II, the program completed the development of the Procurement and Contracts Annual Programming (PAAC) module, which is ready for deployment. Additionally, the program initiated the design of the use cases of the "Libre Gestion" module.

Component B – As for the development of the Case Selection Management System (CSMS) II, the program supported the deployment phase of the "Fedatarios", "Punto Fijo", and "Gestion de Cartera" module. It also developed the selective audit module and continued the development of the Hearings and Test Opening Unit (UAAP) and contact center module. The program has now completed 75 percent of the entire system.

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

Component C – Regarding the trilateral cooperation on fiscal transparency, the program in coordination with the Brazilian Government delivered two workshops on fiscal transparency practices and organized an International Visitors Program (IVP) in which three MOF executive officials, three technicians, and the USAID COR participated. Additionally, the program continued the redesign of the fiscal transparency portal.

The program began the development of Chapter III (revenue side) of the fiscal sustainability for El Salvador. The program expects that the German International Cooperation project (GIZ) and the Spanish International Cooperation project (AECID) will begin their components in June so the paper can be delivered to the new Government in July.

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

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

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

- **Reviewed and gained approval of the chart of accounts under IPSAS** – In August 2013, FPEMP developed the chart of accounts. The General Directorate for Government Accounting (DGCG) reviewed it and requested some adjustments, which the FPEMP expert made before submitting to the DGCG for approval. FPEMP delivered a presentation to the DGCG team covering technical guidance for obtaining approval, which was finally received in May. Now the chart of accounts under IPSAS is ready to be included in SAFI II.
- **Delivered workshop to validate the treasury subsystem use cases** – The program delivered a workshop to validate the treasury subsystem use cases with the participation of the DGT and DGP Deputy Director and the use cases design team from both Directorates. The FPEMP treasury experts explained the new treasury management model, tools, external and internal entities' roles, financial programming, payments programming, revenue and payments registration, TSA, bank reconciliation, expenditures, accounts operation and information. The use cases must be very clear to be able to develop software, and they must identify data sources and other subsystem integrations.
- **Supported the organization and beginning of the SAFI II use cases design** – The program supported the beginning of the SAFI II use cases design. The FPEMP IT staff supported the different teams from DGCG, DGT, DGP, the General Directorate for Public Investment, and the Credit and National Procurement Office (UNAC) to design the best use cases possible for development.
- **Developed and gained approval of the budget execution conceptual model** – FPEMP budget use cases expert worked with the DGP in the budget execution conceptual model. The DGP Director requested modifications, which were made before being submitted for final approval. At the end of the quarter, the conceptual model was approved, and the team is now working on the budget modifications and the revenue and expenditure execution conceptual model. This is the first step in the design of the budget execution module use cases for SAFI II.
- **Completed the development of the PAAC module of COMPRASAL II** – During the quarter, the program completed the development of the PAAC module. The module will introduce new rules, process, and information flow for public procurement activities. Additionally, it will be used as an input for SAFI II modules such as budget programming.
- **Completed the Component A third year evaluation** – DAI/Bethesda advisor Ms. Eunice Heredia-Ortiz evaluated the program's third year activities and results. Ms. Heredia-Ortiz,

accompanied by the FPEMP Monitoring and Evaluation Specialist, interviewed the Vice Minister of Finance, National Directorate for Financial Administration (DINAFI) Director and Deputy Director, DGCG Director and Deputy Director, DGP Director and Deputy Director, and DGCG Director and Deputy Director. In general they expressed satisfaction with the program's achievements and technical support and gave the program a score of 5 on a scale of 1 to 5.

ACTIVITIES/WORK IN PROGRESS

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

- **Recommendations on fiscal sustainability for El Salvador** – During several meetings along the quarter, the COP and the program experts provided the following recommendations to the Vice Minister of Finance, DGP Director, and DGT Director:
 - Include the special budgets in the GOES general budget
 - Develop the expenditure budget based on the forecasted net revenues instead of the current approach based on gross revenues
 - Include the previous year's fiscal deficit on the annual budget
 - Eliminate special revenues and include them in the GOES general treasury revenues
 - Guarantee the successful implementation of the programmatic budget on a results-oriented basis
 - Guarantee the successful development and implementation of SAFI II for January 1, 2017

The COP expressed his concerns regarding the GOES fiscal environment, which is in a critical state due to the growing fiscal deficit, sovereign debt and structural negative relation between revenue/expenditures. The COP explained that the \$1.115 billion deficit carried from 2013 is a result of the fiscal practices in El Salvador and that the recommended measures will help the MOF and the GOES to successfully address the situation over the long term. The Vice Minister of Finance took note of the program recommendations and confirmed the willingness of the MOF to implement the programmatic budget and support the development of the SAFI II, and promised to evaluate the implementation of other recommendations.

- **Development of the IPSAS adoption technical implementation plan** – The program began the development of the IPSAS adoption technical implementation plan. The first task that took place during the quarter was the assessment of the current accounting practices at the GOES level (Ministries, Public Corporations, Courts, etc.) to develop the SWOT report, which is the main input for the implementation plan. The SWOT and the plan will be presented to the MOF in September.
- **Development of the IPSAS procedures and policy manual** – During the quarter, the agreement that FPEMP had proposed and drafted for the Costa Rican MOF and the Salvadorian MOF was finally signed by both Ministers. The program and the DGCG are ready to start using the Costa Rican policy manual as an input for the Salvadorian manual.

- **Support for the implementation of the DGP functional administrative reform** – The program submitted the DGP functional administrative reform validated by the DGP technical staff that supported the document development. The program is still waiting for approval from the DGP Director to prepare the agreement that will be signed by the Vice Minister of Finance. By the end of May the DGP director made the final adjustments request.
- **Support for the SAFI II use cases design** – After giving proper training to the MOF on the methodologies for design use cases, the program has been supporting the UNAC staff to design the SAFI II use cases, which will have all the necessary information to develop the appropriate software. Currently, the team is reviewing the treasury subsystem use cases.
- **Support for the SAFI II development strategy** – As requested by FPEMP and agreed with the Vice Minister of Finance the SAFI II development will be carried out following the program strategies and standards. The program has been providing guidance to DINAFI in the SAFI II development strategy, and in communication with the Vice Minister of Finance the Chief of Party (COP) requested that the DINAFI programming staff be strengthened. Additionally, the program shared the code generation strategy used by FPEMP in the CSMS II developments.
- **Accounting subsystem use cases design** – The FPEMP accounting expert and a team from DGCG developed the more complex use cases from the entire subsystem and identified the interfaces of the accounting subsystem with the other subsystems (treasury, budget, human resources, public investment and credit and procurement) to define the scope of the accounting subsystem. The program expects to complete the use cases design with the other interfaces by the end of September. The events accounting matrix development will begin in October and will be completed in 2015.
- **Treasury subsystem use cases design** – The FPEMP team completed the development of the treasury subsystem use cases design and submitted it to the DGT for final validation. The program is supporting the team in the validation process and in the development of the remaining use cases related to the interfaces with other subsystems. Additionally, the team is clarifying the final aspects of the use cases. The team expects to have the final version by the end of June.
- **Budget execution use cases design** – As previously stated, the FPEMP budget expert is preparing the conceptual models in preparation for the start of the use cases design work. The team is now moving forward with the budget modification and the revenue and expenditure execution conceptual models.
- **Support for the COMPRASAL II use cases design** – After giving proper training to the MOF in the methodologies for the use case design, the program has been supporting the UNAC staff in designing the COMPRASAL II use cases, which will have all the necessary information to develop the appropriate software. Currently, the team is working on the design of the “Libre Gestion” module use cases.
- **Support for the review and validation of the Human Resource System (SIRH) use cases** – The program supported the review and validation of the SIRH use cases. The program explained the methodology for designing use cases to the MOF staff.

NEXT STEPS

The main activities for the next quarter are:

- **Development of the IPSAS adoption technical implementation plan** – The FPMP accounting experts will continue the development of the IPSAS adoption technical implementation plan. The program expects the plan will be ready by September.
- **Development of the IPSAS procedures and policy manual** – FPMP will continue to support the logistics related to the initiation of the development of the IPSAS procedures and policy manual.
- **Approval of the DGP functional administrative reform** – The program expects that the DGP Director will approve the DGP functional administrative reform model submitted in February. Once approved, the program will work on the agreement to be signed by the Vice Minister of Finance, as well as the detailed implementation plan.
- **Support for the SAFI II use cases design** – The program will continue supporting the SAFI II use cases design. The program will also help review the other subsystem use cases.
- **Accounting subsystem use cases design** – The FPMP accounting expert supporting the use cases design will continue working with the DGCG team. The program expects that they will work in the interface with DGT, accounting chart maintenance, and accounting closures.
- **Treasury subsystem use cases design** – The program expects that the DGT validation team will complete the review of the 82 use cases with FPMP support.
- **Budget execution use cases design** – The FPMP budget expert supporting the use cases design will complete the development of the budget modification and the revenue and expenditure execution conceptual model for approval. Once approved, the team will work on the use cases design. The program expects that the team will produce the budget execution and commitments, budget modification, budget execution programming and revenue execution programming use cases.
- **Support for the COMPRASAL II use cases design** – The program will continue supporting the COMPRASAL II use cases design.
- **Support for the SIRH software generation** – The program will support the SIRH software generation by sharing the FPMP code generation. The MOF staff will introduce their business rules into the code.
- **Support for the MOF in the Public-Private Partnership Office implementation** – The MOF requested FPMP support for the PPP office implementation. The program will provide support in the form of an assessment, implementation recommendations, training, and an IVP to learn from another country's extensive experience with PPP.

YEAR 4 CHALLENGES

The complexity of the GOES public expenditure modernization has imposed huge challenges for FPMP and the international donor community. Despite the fact that the program has achieved important milestones during the last three years, the fourth year will not provide sufficient time to complete the proposed task. More specifically, the issues encountered include the following:

- **IPSAS adoption** – The program has advanced in the IPSAS adoption plan, a project that takes more than 6 years to implement. During the fourth year, the program will continue supporting the public accounting subsystem under IPSAS by developing the use cases, the IPSAS technical implementation plan and the accounting events matrix. Only about 30 to 50 percent of the software development, code generation, accounting procedure manual, and the implementation plan development will be completed.
- **Advance Treasury Single Account (TSA) implementation** – The program is supporting the development of the treasury subsystem within the SAFI II development, which is necessary for the advance TSA implementation. During the fourth year, the program will support the development of 50 percent of the subsystem, while the remaining 50 percent must be developed by DINAFI.
- **Budget Modernization Project** – The budget modernization project related to the adoption of a programmatic budget system on a results-oriented structure takes considerable time, especially due to the fact that the implementation requires the development of SAFI II. During year four, the program will support the budget program design for the Ministries of Health, Agriculture and Economy, while the GIZ will support Environment, Education and Justice and Security. The budget formulation under a programmatic structure will take place in 2016 for the 2017 fiscal year (due to the fact that SAFI II will be launched in 2017). So the period of June 2015 to June 2016 will be critical in supporting the ministries in developing a proper budget, especially given the fact that the program will end in June 2015, leaving the ministries to continue the work on their own.
- **SAFI II development** – During year four, the program will continue supporting the development of the use cases of the budget execution module, treasury subsystem and accounting subsystem. Additionally, FPMP will support the software development of the entire treasury subsystem and the code generation of the budget and accounting subsystem. The use cases will be fully developed during the year; however the SAFI II development will only be 40 percent complete by the end of the year. This delay is due to the MOF decision made in regards to the system implementation strategy. Initially in 2011 they decided to purchase an off-the-shelf government resource planning system, but by the end of 2013 they instead chose to move to an in-house solution because the commercial software ultimately did not suit the GOES needs, which is what FPMP had previously communicated. The MOF requested FPMP support on account of the program's successful and extensive experience in the area of system development.
- **COMPRASAL II development** – In 2011 the MOF decided to assign the e-procurement system development to the BID technical assistance. However, due to delays and problems in the development of the system, in November 2013 the MOF requested

FPEMP support in developing the entire system, which will take two and a half years. During year three the program developed the PAAC, and in year four the program will develop the “Libre Gestion” and “Licitaciones y Concursos Publicos” modules. The modules of “Administracion de Contratos” (Contracts Administration), “Contratacion Directa” (Direct Award), “Recepcion, Custodia y Devolucion de Garantias” (Warranties Administration), “Prorroga y Modificacion de Contratos” (Contracts Extension and Modification), “Procesos Sancionatorios” (Fines Process), and “Precalificacion de Oferentes” (Bidder Prequalification) cannot be developed in the final year of the program’s base period, so the MOF will need to continue on its own with this task.

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:

- **Supported the deployment of the CSMS II “Fedatarios” module** – The program supported the MOF in the launch of the CSMS II “Fedatarios” module. The module started with 60 audit cases, and 17 have been completed.
- **Supported the deployment of the CSMS II “Punto Fijo” module** – The program supported the MOF in the launch of the CSMS II “Punto Fijo” module. The first cases will be assigned next month.
- **Supported the deployment of the CSMS II “Gestion de Cartera” module** – The program supported the MOF in the launch of the CSMS II “Gestion de Cartera” module.
- **Developed the CSMS II selective audit module** – The program developed the CSMS II selective audit module introducing new processes and control flows. The module is prepared for deployment.
- **Completed Component B third year evaluation** – DAI Bethesda advisor Ms. Eunice Heredia-Ortiz evaluated the program’s third year activities and results. Ms. Heredia-Ortiz, accompanied by the FPEMP Monitoring and Evaluation Specialist, interviewed the Vice Minister of Finance, Vice Minister of Revenue, the General Directorate for Internal Revenue (DGII) Director, the DGII Deputy Director, and executive staff. Those interviewed expressed satisfaction with the program achievements and technical support provided to date and gave the program a score of 5 on a scale of 1 to 5.

ACTIVITIES/WORK PROGRESS

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

- **Web services implementation monitoring** – The program continued monitoring the web services implementation. The web services are a key component in the effort to keep the TCA from becoming polluted again. As of now, 70 percent of the banks are online, and 70 percent of transactions are recorded. Six banks are fully using the web services, while CITIBANK is at 75 percent utilization and DAVIVIENDA is at 25 percent. Those banks that have not yet utilized the web services are ACCOVIT, COMEDICA, AMERICA CENTRAL and HIPOTECARIO.
- **TCA procedures improvements for DGII and DGT monitoring** – The Tax Information System migration is in process. The MOF stated that they are stabilizing the system—a process that could last a few more months.

- **Development of the CSMS II UAAP module** – The program continued developing the CSMS II UAAP module.
- **Development of the CSMS II contact center module** – The program began the development of the CSMS II contact center module, which will be completed in the coming quarter.

NEXT STEPS

The main activities for the next quarter include:

- **Web services implementation monitoring** – The program will continue to monitor the web services implementation until it is fully complete.
- **TCA procedures improvements for DGII and DGT monitoring** – The program will continue to monitor the improvement of procedures. After this, the program will plan for the application improvements.
- **Development of the CSMS II UAAP module** – The program will continue developing the CSMS II UAAP module.
- **Development of the CSMS II contact center module** – The program will continue developing the CSMS II contact center module.
- **Deployment of the CSMS II selective audit module** – The program will support the MOF in the CSMS II selective audit module deployment.
- **Income tax audit training** – The program will provide training on income tax in order to improve the DGII auditor’s skills to detect tax evasion and to successfully assess the proper taxes using the recent fiscal reform of 2012.

YEAR 4 CHALLENGES

The program performed those activities that had been agreed to with USAID, but new areas of assistance have appeared, as the MOF requested additional support from FPEMP. Some of that will be accomplished during year four; however to fully complete the activities an additional year would be necessary. The additional tasks that cannot be accomplished in year four are as follows:

- **Pending challenges for CSMS II** – The CSMS as a state-of-the-art system—unique in the region—is a complex system that is providing transparency and efficiency in the tax collection and control of the MOF. The system was conceived as a “whole tax control” system for tax purposes, and due to the request of the MOF, the program included the customs control module, electronic files audit module, and the risk management module. But they cannot be developed by the program during the fourth year because FPEMP will be developing the UAAP, Customs and Internal Revenue Appeals Tribunal and DGT modules, and these additional modules were not included in the original plan.
- **Queue attention** – The DGII requested support in the development of a queue system to provide better services to taxpayers. However, because FPEMP will already be

supporting the development of SAFI II, the queue system must be developed by the MOF, unless a fifth year of the program is approved.

COMPONENT C: Private Sector Outreach

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

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

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

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

- **Reviewed the fiscal transparency portal progress with Brazilian Cooperation** – Two Brazilian Cooperation experts reviewed the portal progress in a one-week workshop with the redesign team. Advances were presented and discussed, and recommendations to improve how data is shown were made. Additionally, the team agreed the fiscal transparency portal should provide information about government projects with economic and social relevance, beneficiaries, planned budget, expenditures such as investment in infrastructure, costs of human resources and services, and their relation to the National Budget to provide pertinent information to civil society organizations interested in monitoring government investments and expenditures.
- **Delivered workshop on fiscal transparency, the role of civil society, accountability and outreach strategies with Brazilian Cooperation** – A Brazilian Cooperation expert delivered a workshop on fiscal transparency, the role civil society, accountability, and outreach strategies. The workshop was coordinated by the Undersecretary of Transparency and Anticorruption, and it was attended by staff from the Undersecretary of Transparency and Anticorruption, Territorial Development, Access to Public Information Institute, and members of civil society involved in budget monitoring activities. The expert presented the Brazilian experiences regarding fiscal education, ethics, and construction of citizenship for auditing of government activities. Some of the experiences presented were related to organized civil society groups participating in discussions over fiscal issues, transparency, and accountability, as well as how these groups have gained position of strength in demanding that the Brazilian Government post current, valid, and pertinent data. In addition, the experiences showed how education programs have targeted children of different ages and how TV companies have participated in monitoring accountability and promoting programming targeting adults, children, teenagers, and the general public. The workshop

ended with the commitment of the Undersecretary of Transparency and Anticorruption to follow up on the discussed points and to develop a work plan.

- **Organized an IVP to Brazil to learn about Brazilian fiscal transparency practices** – The program carried out an IVP to Brazil to learn about Brazilian fiscal transparency practices. The DINAFI, DGT and DGCG Deputy Directors attended along with DINAFI staff participating in the fiscal transparency portal redesign, the USAID COR, and the COP. The topics covered included the following: the importance of society in the monitoring of public expenditures, background and lessons learned in the development of fiscal transparency portals, fiscal transparency systems, the legal framework of fiscal transparency, and the maximization of citizen participation in the use of fiscal transparency portals and reports.
- **Gained recognition from the U.S. Ambassador in Brazil on the progress made on the fiscal transparency initiative by FPEMP, Brazil and the GOES** – The U.S. Ambassador in Brazil, Liliana Ayalde, highlighted the importance of the technical assistance that FPEMP in coordination with the Brazilian Government is providing to the Salvadorian government to improve fiscal transparency and support citizens' participation in the oversight and tracking of budget execution.
- **Developed the strategy to produce Chapter III of the white paper on fiscal sustainability for El Salvador** – In coordination with AECID and GIZ representatives, the program defined the steps and responsibilities for producing the white paper on fiscal sustainability for El Salvador. Some of the issues to be addressed by Chapter III include:
 - Experiences in Latin America regarding fiscal pacts
 - 10-year projections based on fiscal behavior from the past 10 years
 - Strengthening the institutional capacities and legal norms of the MOF to increase revenue

Once completed, the paper will be presented to the donors and then presented to the new government in office.

- **Completed Component C third year evaluation** – DAI Bethesda advisor Ms. Eunice Heredia-Ortiz evaluated the program's third year activities and results. Ms. Heredia-Ortiz, accompanied by the FPEMP Monitoring and Evaluation Specialist, interviewed the Vice Minister of Finance, Vice Minister of Revenue, DINAFI Directress and Deputy Directress, DGEA Director, Training Department Manager, DINAFI Directress and Deputy Directress and the Fiscal Education Office Manager, who expressed satisfaction with the program achievements and technical support and gave the program a score of 5 on a scale of 1 to 5.

ACTIVITIES/WORK PROGRESS

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

- **Redesign of the fiscal transparency portal** – The program contractor continued working in the redesign of the fiscal transparency portal. The contractor is introducing new recommendations made by the Brazilian Cooperation experts and made by the MOF team that participated in the IVP to Brazil. The contractor will submit two models for final review.

- **EXPRESATE center activities monitoring** – FPEMP continued to monitor activities in support of the EXPRESATE center. During the current year, the DGII will implement the recommendation of FPEMP to include the private schools in the EXPRESATE activities. To date, 3,217 students have visited the center, including 1,778 females.
- **Support for the implementation of the MOF Human Resources system based on competencies** – Regarding the support to the MOF Union, no advances have been made by the MOF human resources department. Nevertheless, they continue with the implementation of the competency based system through the performance evaluation process. The performance evaluation for four units of the Treasury General Directorate has been developed. The performance evaluation process will start after the changing of the MOF authorities.
- **Development of the white paper on fiscal sustainability** – As a result of the coordination among FPEMP, GIZ and AECID, the white paper is under development, and FPEMP is responsible for developing Chapter III. An expert has been contracted to develop the chapter, which takes into consideration fiscal revenue issues based on different scenarios and the analysis of international experiences and best practices.

NEXT STEPS

The main activities for the next quarter are:

- **Redesign of the fiscal transparency portal** – The program contractor will continue developing the two models for final review. The redesign team will review each one of the prototypes and will make the necessary adjustments.
- **Define with municipalities the fiscal transparency portal structure and development** – The program will conduct a search to identify the scope of this project. The program will identify the municipalities that will participate, define the data that will be shown, define the data warehouse, and determine the portal standards.
- **Fiscal transparency initiative for municipalities** – The program will schedule a meeting with Majors to agree on their participation in the municipal fiscal transparency initiative. In this meeting the structure of the municipal fiscal transparency portal will be presented.
- **Continue monitoring EXPRESATE center activities** – The program will continue monitoring the EXPRESATE center activities.
- **Continue supporting the implementation of the MOF Human Resources system based on competencies** – The program will continue supporting the implementation of the MOF HR system based on competencies. Bimonthly meeting will be held with the MOF HR Department.
- **Development of the white paper on fiscal sustainability** – The program will complete Chapter III of the white paper in June-July 2014. However, the other chapters will take longer to be completed given the specific procedures GIZ and AECID have for their process.

YEAR 4 CHALLENGES

During the fourth year, the program will move forward in supporting the fiscal transparency initiative and the fiscal pact implementation, which is contingent upon a decision from the GOES authorities. The white paper proposed by FPEMP, GIZ and AECID could be used as an instrument and a guide for the new authorities. Nevertheless, the political will is critical and will be a key element in moving forward with this initiative.

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 Results-Oriented Budget system for Health, Agriculture and Economy	DGP continued reviewing and evaluating the DGP functional administrative reform proposal. FPEMP in coordination with GIZ continued to insist that the DGP Director comply with the agreed timeline. DGP finally approved the budget execution conceptual model and submitted 80 percent of the use cases for the budget formulation module.
Implement a fully operational TSA	DGT continues implementing the TSA and now has 20 entities integrated into the TSA. DGT in coordination and with the support of FPEMP is making the final adjustment to the treasury subsystem use cases. The use cases will be completed this quarter.
Develop and implement the SAFI II	As agreed with the Vice Minister of Finance, the system will be developed following FPEMP standards and strategies. DGT and DGP assigned a full time team to support the SAFI II use cases development. The MOF has demonstrated full commitment with the SAFI II development.
Develop and implement an e-Procurement System	UNAC assigned a full time team to support the development of the COMPRASAL II use cases. The Vice Minister of Finance authorized the hiring of two IT experts to support the project.
Increase tax revenues by 2.0% of GDP by 2015	The program supported the deployment phase of the “Fedatarios”, “Punto Fijo”, and “Gestion de Cartera” module, developed the selective audit module and continued the development of the UAAP and contact center module. The program has now completed 75 percent of the entire system. DGII supported the system implementation and is moving forward in the improvement of the tax control with the new modules.
Develop new scenarios for private sector and civil society participation in fiscal matters and new transparency and accountability practices	DINAFI is fully supporting the redesign of the new MOF transparency portal, and all the MOF directorates have supported the initiative FPEMP is developing and coordinating with the Brazilian Government.
Successfully implement current and future tax reforms	In January 2012, the DGII with FPEMP support developed a dissemination strategy of the 2011 fiscal reforms.

FPEMP's Progress Report – Performance Indicators

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

FPEMP result	FPEMP progress
COMPONENT A	
1. At least twenty-five Public Sector Institutions using multiyear Results-Oriented Budgets (ROB) by the end of the project	The program developed the conceptual model for the budget execution system and began the development of the use cases for the budget execution module in SAFI II. The new budget subsystem will implement the programmatic budget under a results-oriented structure. Additionally, FPEMP recommended an approach for the budget program design for the ministries of Health, Agriculture and Economy. DGP and GIZ concur with the proposal.
2. Treasury enabled to make electronic payments on behalf of GOES entities by the end of the project	The program submitted the treasury subsystem use cases to the DGT for final validation. It is expected that the final version will be completed in the next quarter
3. A strengthened MOF Budget-Planning Unit by increasing the knowledge and IT resources of each unit	The program developed the conceptual model of the budget execution and trained the DGP team in the use of tools for the budget execution control and management. Additionally, the development of the use cases of the budget execution module began.
4. Six hundred MOF personnel trained in modern expenditure system management techniques by the end of the project	The program is continuously supporting the budget execution use cases design. Additionally, the program submitted the budget execution conceptual model.
5. Support the MOF in the migration from SAFI to SAFI II	The use cases design for the accounting subsystem and the budget execution module began with the program expert's support. It is expected that by September 30 the use cases of the three areas (treasury, accounting and budget execution) will be completed. The use cases of the Treasury Subsystem were developed and submitted to the DGT for validation. Additionally, the program provided support to DINAFI in the preparation for the IT component development.
6. Introduce and promote implementation of IPSAS	The program began the development of the IPSAS adoption technical implementation plan. The SWOT report that is the main input for the implementation plan will be presented

	to the MOF on September.
7. A functional web-based Public Expenditure Tracking System available to the public.	During the quarter, two Brazilian Cooperation experts reviewed the portal progress in a one week workshop with the redesign team. Advances were presented and discussed, and recommendations to improve how data is shown were made. A study tour of fiscal transparency was carried out by FPEMP to Brasilia.
COMPONENT B	
8. Up-to-date, consistent and clean Taxpayer Current Account (with modern database management guidelines)	The program completed the cleaning of a total of 21,523 taxpayer current accounts and supported the GOES institutionalization of the TCA cleaning. Since mid-January, the MOF has performed this cleaning as part of its regular operations. The program continued providing follow-up to the TCA cleanup institutionalization at the MOF.
9. Up-to-date, consistent and clean Taxpayer Registration System (with modern database management guidelines)	The program completed the cleaning of a total of 7,730 taxpayer's registration accounts and supported the GOES institutionalization of the TRS cleaning. Since mid-January, the MOF has performed the cleaning as part of its regular operations. The program continued providing follow-up to the TRS cleanup institutionalization at the MOF.
10. Up-to-date, consistent and updated Case Selection Management System (with modern database management guidelines)	The program launched the "Fedatarios", "Punto Fijo", and "Gestion de Cartera" module, developed the selective audit module and continued the development of the UAAP and contact center module. The program has now completed 75 percent of the entire system.
11. An automated functional system, which reconciles the taxpayer database on a periodic basis	The program continued monitoring the TCA and TRS migration, the tax returns reception, and tax payment web services implementation. These will help the MOF to address the structural conditions that negatively impact the applications.
12. No less than 300 MOF personnel trained to effectively apply the fiscal reforms in order to generate the expected additional income	During the program's third quarter, FPEMP provided support to the DGII in the training of 2,011 fiscal reforms to 83 MOF personnel. The program will continue to support fiscal reforms dissemination.
13. Provide technical support in the strengthening of the Large Taxpayer Unit areas of income tax and transfer pricing audit	In previous quarters, FPEMP supported the creation of the new large taxpayer office, the front and back office for the large taxpayers,

techniques	the kiosk system and the strengthening of the audit skills of the large taxpayer office.
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 2,011 fiscal reforms to 1,114 taxpayers. The program will continue to support fiscal reforms dissemination.
15. Effective promotion leading to the establishment of a public private commission by Salvadoran actors, with the goal of monitoring on yearly basis the approved budget versus actual GOES expenditures	FPMP continued coordinating the development of the white paper on a fiscal sustainability agreement with GIZ and AECID. The program began the development of Chapter III (revenue component) of the paper.
16. Development of a Fiscal Transparency Policy with the MOF and GOES	The program continued with the trilateral initiative on fiscal transparency in coordination with the governments of Brazil, and El Salvador. Experts reviewed the portal redesign and the program organized an IVP to Brazil to learn from Brazilian experiences.
17. A functional state of the art in-house training program to provide MOF personnel with continuous up-to-date techniques and technical knowledge	The program continued to monitor the implementation of the human resources system based on competencies and the implementation of the computer lab.
18. GOES assisted and facilitated discussions with the private sector in forging a new fiscal pact to increase resources to address the pressing social and economic needs of the country	FPMP took the initiative to coordinate efforts with Spanish and German cooperation to work on a fiscal pact proposal for the new government. The program began the development of the revenue chapter of the white paper.