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El Salvador Fiscal Policy and Expenditure Management Program (FPEMP)

Quarterly Report
September – November 2012

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FISCAL POLICY AND EXPENDITURE MANAGEMENT PROGRAM (FPEMP)

QUARTERLY REPORT
September - November 2012

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TABLE OF CONTENTS

ACRONYMS	I
EXECUTIVE SUMMARY	1
INTRODUCTION	3
COMPONENT A: PUBLIC EXPENDITURE MANAGEMENT	5
COMPONENT B: TAX REVENUE MOBILIZATION	8
COMPONENT C: PRIVATE SECTOR OUTREACH	11
MOF'S PROGRESS TOWARDS GOES GOALS	14
FPEMP'S PROGRESS REPORT – PERFORMANCE INDICATORS	15
FINANCIAL INFORMATION (AS OF NOVEMBER 30, 2012)	18

ACRONYMS

AECID	Spanish International Cooperation
CSMS	Case Selection Management System
DAI	Development Alternatives Incorporated
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
FP EMP	Fiscal Policy Expenditure Management Program
GIZ	German International Cooperation
GOES	Government of El Salvador
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IRM	Information Resource Management
IT	Information Technology
IVP	International Visitors Program
LTO	Large Taxpayer Office
MOF	Ministry of Finance
PFG	Partnership for Growth
ROB	Result-oriented Budget
SAFI	National Financial Management System
TCA	Taxpayer Current Account
TRS	Taxpayer Registration System
TSA	Treasury Single Account
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 September to November 2012, the second quarter of year two, are listed below:

Quarterly results

- IVP to Peru to learn about IPSAS adoption
- Chart of Accounts proposal
- IPSAS implementation strategy
- Seminars on TSA
- DGT functional and administrative modernization reform
- Component A, B and C procurement approval
- Launch of the LTO front and back office areas
- Implementation of the LTO auditors' area
- Self-service kiosk system implementation
- Training on transfer pricing audit techniques
- TRS application update completed
- TCA application update completed
- Improvements in the TCA procedures
- CSMS II selector module completion
- Assessment and update of the MOF technical area employee profiles
- Curricula development of the DGII

- Curricula development of the DGA
- Fiscal Transparency Portal data modules completion

Other Activities Performed

- IPSAS adoption project
- TSA implementation project
- Budget modernization project
- PFG goal 4 follow up
- Queue management kiosk system project
- CSMS II development
- Preparing the conditions to execute the manual cleaning process of the TRS and TCA
- Curricula development of the MOF revenue and expenditure Directorates
- EXPRESATE project
- Local governments incorporation in the Fiscal Transparency initiative project
- Fiscal Transparency Portal project

Introduction

This report covers FPMP activities during the period from September 1, 2012 to November 30, 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 FPMP 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.

FPMP 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, FPMP 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 advancing the Fiscal Transparency project. Other areas that also moved forward during this quarter include: the implementation and official launching of the Large Taxpayer Office (LTO), the cleanup 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, and the MOF training center modernization, among others.

Additionally, FPMP continued working in 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 – FPMP continued supporting the IPSAS implementation project. During the quarter, FPMP organized and delivered an International Visitors Program (IVP) to Peru to learn about the IPSAS adoption experience of the Peruvian Ministry of Finance. The attendants learned that the best strategy for modernizing the government accounting system is to follow an adoption strategy for implementing the IPSAS rather than following the harmonization strategy.

On the TSA implementation project, the new TSA Conceptual Model that FPMP developed in the previous quarter was approved by the Treasury General Directorate (DGT). As a next step, FPMP proposed a functional and administrative reform of the DGT as part of the reform. During this quarter, FPMP also supported the DGT and the IMF in the dissemination of the new TSA system to all the treasury offices of the GOES entities.

On the budget modernization project, FPMP began the development of the Budget General Directorate (DGP) administrative reform proposal.

Finally, the Information Technology (IT) procurement plan for the component A was approved by the USAID Information Resource Management (IRM) Office. Additionally, Victor Cardenas the new Deputy Chief of Party and Component A Lead arrived in country and began his work.

Component B – Tasks under this component continued to make progress during the quarter. The updating of the TRS application was completed and prepared the way for performing the comprehensive cleaning process which is scheduled to start in February 2013. Additionally, the program worked in the preparation of the necessary conditions to start the TRS manual cleaning.

Furthermore, the updating of the TCA application was completed and prepared the way for performing the cleaning process also scheduled to begin February 2013. The program worked in the preparation of the necessary conditions to start the TCA manual cleaning. Additionally, the program worked closely with the MOF in solving a long time issue that affected the TCA reliability related to the banks data transfer of tax returns reception and tax collections. The issue will be resolved by January 2013.

Regarding the CSMS II, the program finished the development of the selector module and is working in the development of the case management module and the fiscal compliance module.

The new LTO front and back office was officially launched in conjunction with the self-service electronic kiosk system, and the new LTO auditors' area was implemented. In addition, FPMP delivered a two-week training course on transfer pricing audit techniques.

Finally, the IT procurement plan for the component B was approved by the USAID IRM Office.

Component C – FPMP continued working with the Fiscal Transparency project. In that regard, the program developed 3 of the proposed data modules for the Fiscal Transparency Portal and gained approval from the MOF to deploy the new portal in April 2013. In addition, the fiscal transparency initiative for municipalities progressed by assessing the data that the MOF has from the municipalities, the legal framework, the restrictions for data dissemination, and the development of multiple proposals to include them in the Fiscal Transparency Portal.

The EXPRESATE project moved forward in gaining the necessary GOES institutional approvals in order to begin the project development.

Regarding the Human Resource System modernization, during the quarter, the assessment and update of the MOF technical area employee profiles were developed and submitted to the MOF for implementation. Additionally, the curricula development began during the quarter.

Finally, the IT procurement plan for the component C was approved by the USAID IRM Office.

COMPONENT A: Public Expenditure Management

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

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

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

- **IVP to Peru to learn about IPSAS adoption** – The program led the development and delivery of an IVP to Peru’s Ministry of Finance to learn from their experience with modernizing their government accounting system through IPSAS. The IVP was coordinated with the Peruvian MOF and in attendance were the Deputy Director of the General Directorate for Government Accounting (DGCG), the DGCG Normative Office Manager, and one technician from the DGCG, whom were financed by FPEMP. Additionally, one technician from the National Directorate for Financial Administration (DINAFI) and the Presidency Technical Secretariat Financial Unit Manager also took part of the IVP, with their participation financed by the IDB. The trainees were exposed to the Peruvian experience in adopting the IPSAS and also learned about the accounting system consolidation strategy, the accounting modernization strategy as a component for the transparency initiatives, the charts of accounts reform program, difficulties and challenges in implementing the IPSAS and the success stories in the IPSAS adoption and the transparency policy implementation.
- **Charts of Accounts proposal** – FPEMP assessed the new Charts of Accounts developed by the DGCG. Due to the fact that the new budget classifiers are not yet developed, only the General Ledger charts were developed and assessed; once the new classifiers are incorporated, the charts under the IPSAS will include the new accounts and sub-accounts.
- **IPSAS implementation strategy** – FPEMP consultant Carmen de Palladino worked with the DGCG in the preliminary definition of the IPSAS adoption strategy. The MOF decided to follow FPEMP’s recommendations choosing the adoption strategy for modernizing the government accounting system rather than the harmonization strategy.
- **Seminars on TSA** – FPEMP supported with all the logistics to the DGT and the IMF in the dissemination and training on the new TSA system to all the treasury offices at the GOES level. A total of 92 persons attended the 3 seminars, 56 men and 36 women.
- **DGT functional and administrative modernization reform** – FPEMP consultant Jorge Domper developed a proposal for the DGT functional and administrative reform. The program will follow up the approval and implementation of the proposal during the following quarters. The main objective of the proposal is to transform the DGT in a financial management unit that can assume the basic functions of a treasury including the task of becoming the Government’s banker.

- **Component A IT procurement approval** – In this quarter, the program gained approval from the USAID IRM office for the procurement plan for the MOF. The program will now go through the necessary process to begin procuring the equipment for Component A.

ACTIVITIES/WORK IN PROGRESS

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

- **IPSAS adoption project** – FPEMP continued providing support in the IPSAS adoption project providing advice and following up in the assessment and development of the charts of accounts, the definition of the adoption strategy, the definition of a centralized versus decentralized accounting role for the MOF and the work plan to be implemented during the following two years.
- **TSA implementation project** – FPEMP continued providing assistance in this area by following up to the TSA implementation plan. The Conceptual Model for the new TSA was developed by the FPEMP consultant and was submitted to the DGT for review and approval. The DGT Director requested some minor changes and the document was subsequently adjusted. Final approval was informally granted by the DGT Director and it is expected that an official confirmation will be issued during the following quarter. The informally approved Conceptual Model has been integrated in the design of the new National Financial Management System (SAFI) II's general conceptual model and will be used for the development of the new treasury system. FPEMP coordinated with the Vice Minister of Revenue, DINAFI and the DGT the necessary tasks to establish the necessary conditions to implement the TSA during 2013. It has been agreed that a pilot will be done during March 2013 that will include the MOF and two other government institutions. A fully centralized TSA system is expected to be deployed by July 1 including all central government institutions.
- **Budget modernization project** – FPEMP continued assistance on the budget modernization project, which involves assistance in conjunction with GIZ to the Budget General Directorate (GDP). During this quarter, the DGP presented its Strategic Plan and FPEMP provided specific feedback and recommendations to this Plan. Particularly, FPEMP provided important recommendations including a strategic objective for improving the quality of public expenditure involving the development of performance objectives and other performance indicators which will facilitate the achievement of the 2012, 2013 and 2014 goals established.

Additionally, as part of the work in this area, the GIZ assisted in developing a Budget Conceptual Model and the Budget Modernization plan, which the DGP Director approved during this quarter. As part of the work in this area and following the donor coordination plan, the GIZ is also assisting the DGP in developing the programmatic budget manual, which has been finished but not yet approved by the DGP. Other assistance by GIZ which is still pending as of this quarter include the development of manuals for developing the Medium Term Expenditure Framework, the Medium Term Institutional Framework and Result Oriented Budget. Given that this work is still pending, FPEMP task in this area which involves assistance to three Ministries will be delayed. As such, FPEMP requested to the

MOF and the GIZ to comply with the schedule previously agreed in order to advance the budget modernization plan.

- **Partnership for Growth (PFG) goal 4 follow up** – The program continued following up the PFG goal number 4 milestones from the period May to November 2012. The program fulfilled the goals promised such as update the TRS and TCA applications to clean its databases, implement the new LTO, and train 25 auditors in modern audit techniques.

NEXT STEPS

The main activities for the next quarter are:

- **Development of the Chart of Accounts (accounts and sub-accounts)** – During the month of January and February, FPEMP will coordinate efforts with the DGP and the DGCG in the development of the budget, accounting classifiers and TSA classifiers. Once this task is accomplished, the accounts and sub-accounts of the chart of accounts under IPSAS will be developed.
- **Follow up the TSA implementation plan** – FPEMP will follow up the TSA implementation plan and will support the launch of the TSA. FPEMP consultant, Jorge Domper, will continue providing technical support to the DGT.
- **Follow up to the programmatic budget chart** – FPEMP stated to the DGP that achieving a programmatic budget is necessary for the 2015 budget formulation. The program will support the implementation of a programmatic budget in three Ministries (still pending which ones).
- **Follow up to the budget administrative modernization plan** – FPEMP will support the development of the budget administrative modernization plan for the DGP considering all the changes that are still pending as part of the comprehensive budget modernization reform.
- **Design of the budget module for the SAFI II** – FPEMP and DINAFI agreed to create 2 teams for the design of the budget module of the SAFI II. One team is tasked to design the budget catalogues integrated by DINAFI, DGP, DGCG, the General Directorate for Fiscal and Economic Policy (DGPEF), DGT and the National Procurement Office (UNAC) coordinated by FPEMP. The other team is to design the budget module integrated by DINAFI, DGP and DGCG and FPEMP's Component A lead.
- **Component A IT procurement, installation and configuration** – The program gained approval from the USAID IRM office at the end of the this quarter; therefore, the equipment will be purchased and will be installed and configured in the next quarter.

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:

- **Launch of the LTO front and back office areas** – FPEMP in coordination with the MOF launched to the public the new LTO front and back office. In attendance to the inauguration event held on the first week of September include the Minister of Finance, vice-ministers of Finance, MOF Directors, the head of USAID’s Economic Growth Office, the Contracting Officer Technical Representative, international community representatives, the MOF’s executive staff, several large taxpayers and the press.
- **Implementation of the LTO auditors’ area** – In this quarter, FPEMP implemented the new LTO auditors’ area. The area is for 88 auditors and has 88 working stations, cabinets and chairs. In addition, the new area has 42 waiting chairs, 19 supervisor chairs, 6 secretarial chairs and an executive meeting table for 20 people. The area is in the MOF Tower 2, levels 3, 4, 5 and 6.
- **Self-service kiosk system implementation** – In this quarter, FPEMP in coordination with the MOF launched the self-service kiosk system. At the end of November, the program and the MOF had implemented 1 kiosk in the MOF taxpayer assistance center. Now that the program has gained approval from the USAID IRM office for the IT procurement plan, other 6 kiosks will be implemented and will be distributed throughout the taxpayer assistance centers across the country.
- **Training on transfer pricing audit techniques** – FPEMP consultant Rafael Isunza delivered one two-week training course on transfer pricing audit techniques. Thirty (30) officials from the DGII Large Taxpayer Office attended the training, 13 were men and 17 were women.
- **TRS application update completed** – FPEMP continued assisting the General Directorate for Internal Revenue (DGII) in the updating of the TRS application. The updates have introduced new changes to the application that will help in the cleaning of outdated information from the databases. The use cases developed to improve the application for this quarter are the following:
 1. Modified Section in form F-210. Status: complete
 2. Enter of observation and comments. Status: complete
 3. Registry consultation. Status: complete
- **TCA application update completed** – FPEMP continued assisting the DGII in the TCA application update. The updates have introduced new changes to the application that will help clean the outdated information from the databases. The use cases developed to improve the application for this quarter are the following:
 1. Data reprocesses. Status: complete

2. TCA guarantees. Status: complete

- **Improvements in the TCA procedures** – FPEMP coordinated efforts with the MOF to solve a long time issue affecting the integrity of the Taxpayer Current Account. This issue is related to the lack and delay in the transfer of information from the banks on tax returns that are processed and where payment is collected from taxpayers. It is estimated that more than 39% of the data processed by the banks is not transferred to the DGII and as a result it has caused data pollution to the TCA. This issue has taken place for more than a decade affecting the TCA integrity and reliability for a very long time. As part of FPEMP's assistance, the Chief of Party and Component B lead the development of a plan to resolve this issue and provided a presentation to the Vice Minister of Revenue in order to join efforts with the MOF to solve the problem. As a result, full support was obtained from the Vice Minister of Revenue and the plan to solve the situation was developed and is under implementation. It is expected that this issue will be solved by March 2013.
- **CSMS II selector module completion** – During the quarter, FPEMP finished the development of the CSMS II selector module. The developments have introduced changes in case selection variables, business rules, cloning, execution, exporting and case transfers.
- **Component B IT procurement approval** – In this quarter, the program gained approval from the USAID IRM office for the procurement plan for the MOF. Now, the program will begin all the necessary process to begin procuring the equipment for Component B.

ACTIVITIES/WORK PROGRESS

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

- **Queue management kiosk system project** – FPEMP in coordination with the MOF has identified all the requirements for the queue management kiosk system development. Now that the program gained approval from the USAID IRM office, the system development will start and when completed the system will be implemented in the DGII's taxpayer assistance center.
- **CSMS II development** – During the quarter, FPEMP began working in the use cases development of the CSMS II fiscal compliance module and the case administration and programming module.
- **Preparing the conditions to execute the manual cleaning process of the TRS and the TCA** – FPEMP continues the preparation of the facilities and the procedures for the manual clean-up of the TRS and the TCA. The program will begin this task February 2013.

NEXT STEPS

The main activities for the next quarter are:

- **Beginning of the TRS and the TCA manual cleaning process** – During the following quarter, 20 staffers will be hired to undertake the implementation of the cleanup process, the

facilities for the task implementation will be furnished, the necessary training will be delivered and the cleanup will begin on February 1st, 2013

- **CSMS II case selection module, fiscal compliance module and administrative management module deployment** – In the next quarter, the program will finish the development of the 2 modules pending and will deploy the 3 systems in coordination with the DGII.
- **IVP to Ecuador to learn about income tax audit techniques** – FPEMP will develop and deliver an IVP to Ecuador that will be attended by selected Large Taxpayer Office officials and hosted by the Internal Revenue Service of Ecuador. Attendants will learn from the Ecuadorian experience in auditing communication and oil companies, and in the implementation of transfer pricing control techniques. The IVP is scheduled to take place in February 2013.
- **Component B IT procurement, installation and configuration** – The program gained approval from the USAID IRM office at the end of this quarter; therefore, the equipment will be purchased and will be installed and configured in the next quarter.

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 that contribute to 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.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

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

- **Assessment and update of the MOF technical area employee profiles** – Since July 2012, FPEMP has been working in the assessment and update of the MOF technical area employee profiles. This activity is a complement of what the Presidential House is doing in the area of modernization of public administration and management. In different meetings with the Presidential House staff and the MOF staff, it was agreed to use the Competency Based Methodology for Human Resource Management. This methodology is used to integrate all human resources functions with the role of creating a central basis for recruitment and selection, placement of employees, training and development of employees, performance management, career management, promoting employees, and remuneration.

The FPEMP's team of consultants in this area began the work based on the 304 drafted employee profiles provided by the MOF. The employee profiles were analyzed and updated in workshops with the personnel within each functional unit in each MOF Directorate. In addition, the FPEMP team coordinated the work with the Human Resources Division and a counterpart team was created with one key staff member from each Directorates. The results were: 314 employee profiles assessed and updated applying the Competency Based Methodology.

- **Curricula development of the DGII** – After the assessment and update of the MOF technical area employee profiles, it was necessary to develop a curricula matrix, training modules, career training plan and a pilot for performance evaluation applying the Competency Based Methodology for each MOF Directorate.

FPEMP tax expert consultant Ana Brichel Sanchez developed the curricula of the DGII in coordination with the FPEMP employee profiles consultant team. The curricula matrix, training modules, and career training plan of the DGII were produced during workshops with personnel of the different technical areas.

- **Curricula development of the DGA** – FPEMP customs consultant Maria Sol Mantilla developed the curricula of the DGA in coordination with the FPEMP employee profiles consultant team. The curricula matrix, training modules, and career training plan of the DGA were produced during workshops with personnel of the different technical areas.

- **Fiscal Transparency Portal data modules completion** – FP EMP in coordination with the MOF identified 4 data modules to be developed to upgrade and update the MOF Fiscal Transparency Portal. In this quarter, FP EMP developed 3 data modules. The 3 data modules developed are: the budget module, public investment and public debt.
- **Component C IT procurement approval** – In this quarter, the program gained approval from the USAID IRM office for the procurement plan for the MOF. Now, the program will begin all the necessary process to start procuring the equipment for Component C.

ACTIVITIES/WORK PROGRESS

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

- **Curricula development for the MOF revenue and expenditure Directorates** – After the assessment and update of the MOF technical area employee profiles, it was necessary to develop a curricula matrix, training modules, career training plan and a pilot for performance evaluation applying the Competency Based Methodology for each MOF Directorate. FP EMP is currently working in the development of curricula for the expenditure Directorates.
- **EXPRESATE project** – After some final adjustments to the project regarding materials and structural support, the final technical documents and final budget were produced; and the legal permits were granted to start the implementation. The legal process took some time given that the local authority for authorizing this type of permits (OPAMS) required a solvency document from the San Salvador Municipality for the MOF. After obtaining the municipality's solvency, the permit was granted at the end of November. The implementation is planned to start in December 2012. It is expected that the project will be finished in February 2013 and the launching will take place in March 2013.
- **Local governments incorporation in the Fiscal Transparency initiative project** – To comply with the Fiscal Transparency Policy and the Access to Public Information Law, the MOF requested support to include the local governments' financial accounts in the Fiscal Transparency Portal as a mean to facilitate the information dissemination to the population as well as a way to facilitate the municipalities to comply with the law. FP EMP began coordinating with another USAID funded project called Municipal Competitiveness to work together to attain this goal. A draft agreement between the MOF and the local governments has been prepared for both parties to review in order to publish the local governments' financial accounts in the Fiscal Transparency Portal. Once the draft agreement is reviewed/approved by the Minister of Finance, it will be discussed with the COMURES (entity that clusters the Salvadoran municipalities) for their review/approval.
- **Fiscal Transparency Portal project** – During the quarter, FP EMP began the Fiscal Transparency Portal data modules development. Until November 2012, the program had developed 3 data modules and is working in others, the revenue data module. Work has been done in coordination with the MOF to develop this module; nevertheless, the data module vision is not final yet.

NEXT STEPS

The main activities for the next quarter are:

- **Curricula development of the DGT** – In the next quarter, FPEMP will finish the development of the curricula matrix, training modules, career training plan and a pilot for performance evaluation applying the Competency Based Methodology for the DGT.
- **Curricula development of the DGP** – In the next quarter, FPEMP will finish the development of the curricula matrix, training modules, career training plan and a pilot for performance evaluation applying the Competency Based Methodology for the DGP.
- **Curricula development of the DGCG** – In the next quarter, FPEMP will finish the development of the curricula matrix, training modules, career training plan and a pilot for performance evaluation applying the Competency Based Methodology for the DGCG.
- **Component C IT procurement, installation and configuration** – The program gained approval from the USAID IRM office at the end of this quarter; therefore, the equipment will be purchased and will be installed and configured in the next quarter.

MOF's Progress towards GOES goals

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

GOES Target	Progress
Build the foundations to move from the current budget system to a Result-Oriented Budget system.	During the quarter, the DGP General Director approved the conceptual model of the new budget system and the budget modernization plan.
Implement a fully operational TSA	The MOF scheduled the implementation of a pilot for the TSA; the pilot will include the MOF and two other GOES entities. The full TSA implementation for the non-financial sector of the GOES has been scheduled for July 1 st , 2013
Develop and implement the SAFI II	The MOF with the support of USAID/FPEMP, EU and GIZ developed the SAFI II conceptual model. The MOF finally decided to develop the system in house.
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 new large taxpayers office was launched with an event that was attended by the Minister of Finance, Viceminister of Finance, Viceminister of Revenue, MOF Directors, USAID, large taxpayers and the press.
Develop new scenarios for private sector and civil society participation in fiscal matters and new transparency and accountability practices	The MOF agreed with the project recommendations to reform the Fiscal transparency Portal.
Successfully implement current and future tax reforms	During January 2012, the DGII with FPEMP developed a dissemination strategy of the 2011 fiscal reforms. During the quarter, the DGII continued implementing fiscal reforms.

FPEMP's Progress Report – Performance Indicators

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

FPEMP result	FPEMP progress
COMPONENT A	
1. At least twenty-five Public Sector Institutions using multiyear Results-Oriented Budgets (ROB) by the end of the project	During the quarter the program in coordination with GIZ obtained the DGP's Director approval of the conceptual model of the new budget system and the budget modernization plan. It has been agreed with the DGP that during 2013, the program will support the development of the programmatic budget structure for a group of ministries that will be assigned to FPEMP.
2. Treasury enabled to make electronic payments on behalf of GOES entities by the end of the project	FPEMP developed the conceptual model of the new treasury system and made the necessary corrections based on the DGT director request. It is expected that the conceptual model get approved during the following month.
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 reached 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, MTEF, 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	The program developed the conceptual model of the new treasury system that will be used for the development of the SAFII II. Additionally, FPEMP agreed with DINAFI that the component A lead will coordinate the development of the functional requirements of the SAFII II.
6. Introduce and promote implementation of IPSAS	During the quarter, FPEMP obtained the approval of the MOF to move forward with the

	IPSAS adoption strategy.
7. A functional web-based Public Expenditure Tracking System available to the public.	FPEMP in coordination with the MOF identified 4 data modules to be developed to upgrade and update the MOF Fiscal Transparency Portal. In this quarter, FPEMP developed 3 data modules. The 3 data modules developed are: the budget module, public investment and public debt.
COMPONENT B	
8. Up-to-date, consistent and clean Taxpayer Current Account (with modern database management guidelines)	FPEMP coordinated efforts with the MOF to solve a long time issue related to the transfer of information from the banks to the DGII on tax return payments collected from taxpayers. More than 39% of the data processed by the banks is not transferred to the DGII and as a result it causes data pollution to the TCA. During more than a decade this situation has happened. During the quarter, the Chief of Party made a presentation to the Vice Minister of Revenue to coordinate with the MOF efforts to solve the problem. As a result, full support was obtained from the Vice Minister of Revenue and the plan to solve the situation was developed and is under implementation. It is expected that this issue will be solved by March 2013.
9. Up-to-date, consistent and clean Taxpayer Registration System (with modern database management guidelines)	FPEMP continued assisting the DGII in the TRS application update. The updates have introduced new changes and will help cleaning the outdated information from the databases. The use cases developed to improve the application for this quarter are the following: <ol style="list-style-type: none"> 1. Modified Section in form F-210. Status: complete 2. Enter of observation and comments. Status: complete 3. Registry consultation. Status: complete
10. Up-to-date, consistent and updated Case Selection Management System (with modern database management guidelines)	FPEMP developed the new case selection system for the CSMS II. It will be deployed in February 2013. Additionally, the project continued with the support to Customs, DGII and the TAIIA in the development of the pending user cases to be used in the system development.
11. An automated functional system, which reconciles the taxpayer database on a periodic	As previously explained, FPEMP continued updating the TCA system to solve the issues

Fiscal Policy & Expenditure Management Program (FPMP)

basis	that polluted the TCA.
12. No less than 300 MOF personnel trained to effectively apply the fiscal reforms in order to generate the expected additional income	During the project's third quarter, 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 quarter the project launched the new large taxpayer office with an event that was attended by the Minister of Finance, Viceminister of Finance, Viceminister of Revenue, MOF Directors, USAID, large taxpayers and the press.
COMPONENT C	
14. No less than 60 private sector actors, at all levels, assisted to better understand the new fiscal reforms passed in December 2011	During the project's third quarter, 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	FPMP continued moving forward in the reform of the Fiscal Transparency Portal.
16. Development of a Fiscal Transparency Policy with the MOF and GOES	FPMP 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 DFD-MH. During the quarter, FPMP developed the new curricula for DGII and DGA.
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.