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FISCAL POLICY AND EXPENDITURE MANAGEMENT PROGRAM (FPEMP)

ANNUAL WORKPLAN, 2010-2011

August 10, 2011

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CONTENTS

ACRONYMS	IV
I. INTRODUCTION AND BACKGROUND	1
PROJECT GOALS AND OBJECTIVES	1
MANAGEMENT AND ADMINISTRATION	3
PARTNERS	1
INTERNATIONAL DONOR COORDINATION.....	1
II. COMPONENT A: PUBLIC EXPENDITURE MANAGEMENT (PEM)	2
COMPONENT OBJECTIVES	2
SUMMARY OF MILESTONES	4
DESCRIPTION OF ACTIVITIES	4
III. COMPONENT B: TAX REVENUE MOBILIZATION	15
COMPONENT OBJECTIVES	15
SUMMARY OF MILESTONES	18
SCHEDULE OF ACTIVITIES	18
IV. COMPONENT C: PRIVATE SECTOR OUTREACH	21
COMPONENT OBJECTIVES	21
SUMMARY OF MILESTONES	22
SCHEDULE OF ACTIVITIES	22
V. PERFORMANCE MONITORING & EVALUATION	25
ANNEX 1. SOFTWARE FACTORY	ERROR! BOOKMARK NOT DEFINED.

TABLES

Table 1. Component A, Public Expenditure Management: Milestones	4
Table 2. Component A, Public Expenditure Management: Schedule of Activities	4
Table 3. Component B, Tax Revenue Mobilization: Milestones	17
Table 4. Component B, Tax Revenue Mobilization: Schedule of Activities	18
Table 5. Component C, Private Sector Outreach: Milestones	
Table 6. Component B, Private Sector Outreach: Schedule of Activities	23

FIGURES

Figure 1: FPEMP Roadmap	2
Figure 2: FPEMP Organizational Chart	4
Figure 3: The 'new' CSMS Audit and Controls Flow Chain	20

ACRONYMS

COFOG	Classification of the Functions of Government
CSJ	Corte Suprema de Justicia
DCG	Dirección de Contabilidad Gubernamental
DGA	Dirección General de Aduanas
DGCG	Dirección General de Contabilidad Gubernamental
DGICP	Dirección General de Inversión y Crédito Público
DGII	Dirección General de Impuestos Internos
DGP	Dirección General de Presupuesto
DGT	Dirección General de Tesorería
DINAFI	Dirección Nacional de Administración Financiera
DPEF	Dirección de Política Económica y Fiscal
E-PG	E-Payment Gateway or Portal de Pagos
IPSAS	International Public Sector Accounting Standards
LTP	Large Taxpayers
MDAs	Ministries, Departments and Agencies
MOF	Ministerio de Hacienda
PBG	Planning and Budget Guidelines
PGE	Presupuesto General del Estado
PFM	Public Financial Management
PQD	Plan Quinquenal de Desarrollo
RUC	Registro Único de Contribuyentes
SAFI	Sistema de Administración Financiera
SIIP	Sistema de Información de la Inversión Pública
SIRH	Sistema de Información de Recursos Humanos
STP	Secretaria Técnica de la Presidencia
TAIIA	Tribunal de Apelaciones de Impuestos Internos y Aduanas
TPAR	Tax Policy and Administration Reform
UAAP	Unidad de Audiencia y Apertura de Pruebas
UMEP	Unidad de Monitoreo y Evaluación del Presupuesto

I. INTRODUCTION AND BACKGROUND

This report presents the first annual work plan for the USAID-funded Fiscal Policy and Expenditure Management Program (FPEMP). It covers the period from June 10, 2011 through June 9, 2012. The Fiscal Policy and Expenditure Management Program began effectively on June 10, 2011, when USAID and DAI signed the contract. The program is for four years with an optional year. The entire four-year period concludes on June 9, 2015.

The first year work plan is of critical importance to build strong foundations of the program's activities, to maintain continuity of ongoing technical support to the Ministry of Finance (MOF), and to ensure achievement and sustainability of the program's goal and objectives. As such, this first year work plan defines in detail how DAI has organized its work to implement FPEMP and achieve the expected results. The work plan presented herein is the result of numerous meetings with different stakeholders, and contains a set of activities carefully developed in concert with the MOF and USAID.

This report is divided in 4 sections. The first section describes the FPEMP project, including its goals, objectives and a summary of the main activities. Sections two through four present each component's objectives, results, milestones and activities expected for the first year of the program. The last section reviews the monitoring and evaluation plan presenting a summary approach for monitoring project activities, tracking progress toward results and evaluating impact.

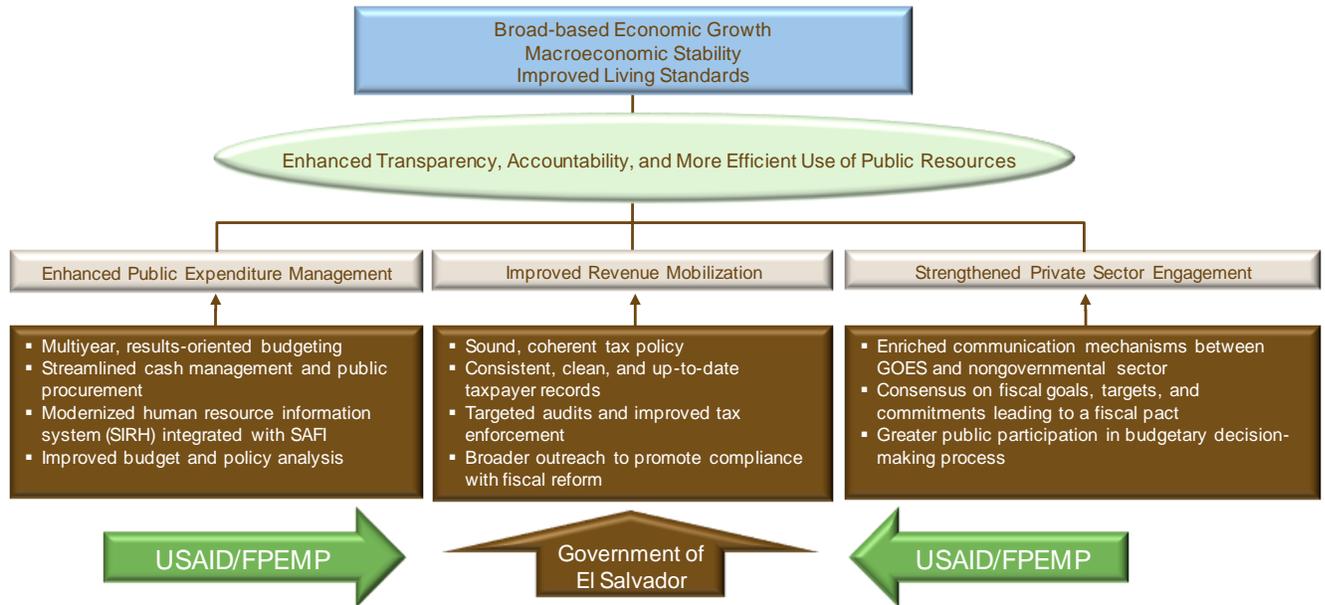
PROJECT GOALS AND OBJECTIVES

The Government of El Salvador has created an ambitious agenda as laid out in its Five-Year Plan and Anti-Crisis Plan, to accelerate growth, promote greater social inclusion, and improve the lives of its citizens. The U.S. Agency for International Development's (USAID) Fiscal Policy and Expenditure Management Program (FPEMP) will be a prime contributor to achieving these objectives.

The FPEMP project is fundamentally about helping the GOES transform fiscal policy and management to forge a more efficient, effective and transparent government—laying the foundations for economic stability and growth. FPEMP will assist to advance the GOES' fiscal reform agenda by building capacity and improving systems for public expenditure management, tax revenue mobilization, and promoting private sector engagement.

Figure 1 illustrates how USAID/FPEMP will provide Technical Assistance to the GOES to achieve key fiscal reforms that will transform the government into a high-performing, results-driven administration that taxes citizens fairly, spends money wisely, and delivers services that society wants and needs, thus accelerating growth, preserving stability, and improving living conditions for all Salvadorans.

FIGURE 1: FPMP ROADMAP



The FPMP project has three explicit objectives and comprises three components. The objectives of the project are:

- Objective 1: Enhanced public expenditure management
- Objective 2: Improved tax revenue mobilization
- Objective 3: Strengthened private sector engagement

The three component work areas are:

- Component 1: Public expenditure management
- Component 2: Tax revenue mobilization
- Component 3: Private sector outreach

The activities included in the first year work plan have been refined to grant prioritization of the needs identified in the different government units developed together by the MOF and USAID.

This will provide the basis to assist the GOES to advance tax reform and public expenditure systems while promoting government transparency, accountability, and more efficient use of public resources.

On the revenue side, FPEMP will continue to strengthen the work begun under TPAR, resolving systemic problems with the taxpayer database, improving audit techniques, strengthening tax enforcement, fostering tax compliance, and cultivating an appetite and demand for tax policy analysis and reform. On the expenditure side, FPEMP will provide Technical Assistance to modernize budgeting and expenditure management systems and build capacity for multi-year results-oriented budgeting (ROB), incorporating among others a Single Treasury Account system and a new SAFI. Simultaneously, the project will reinvigorate dialogue between the government, private sector, and broader public to promote transparency, accountability and shared commitments to smarter spending, increased compliance, and improved living conditions for all Salvadorans.

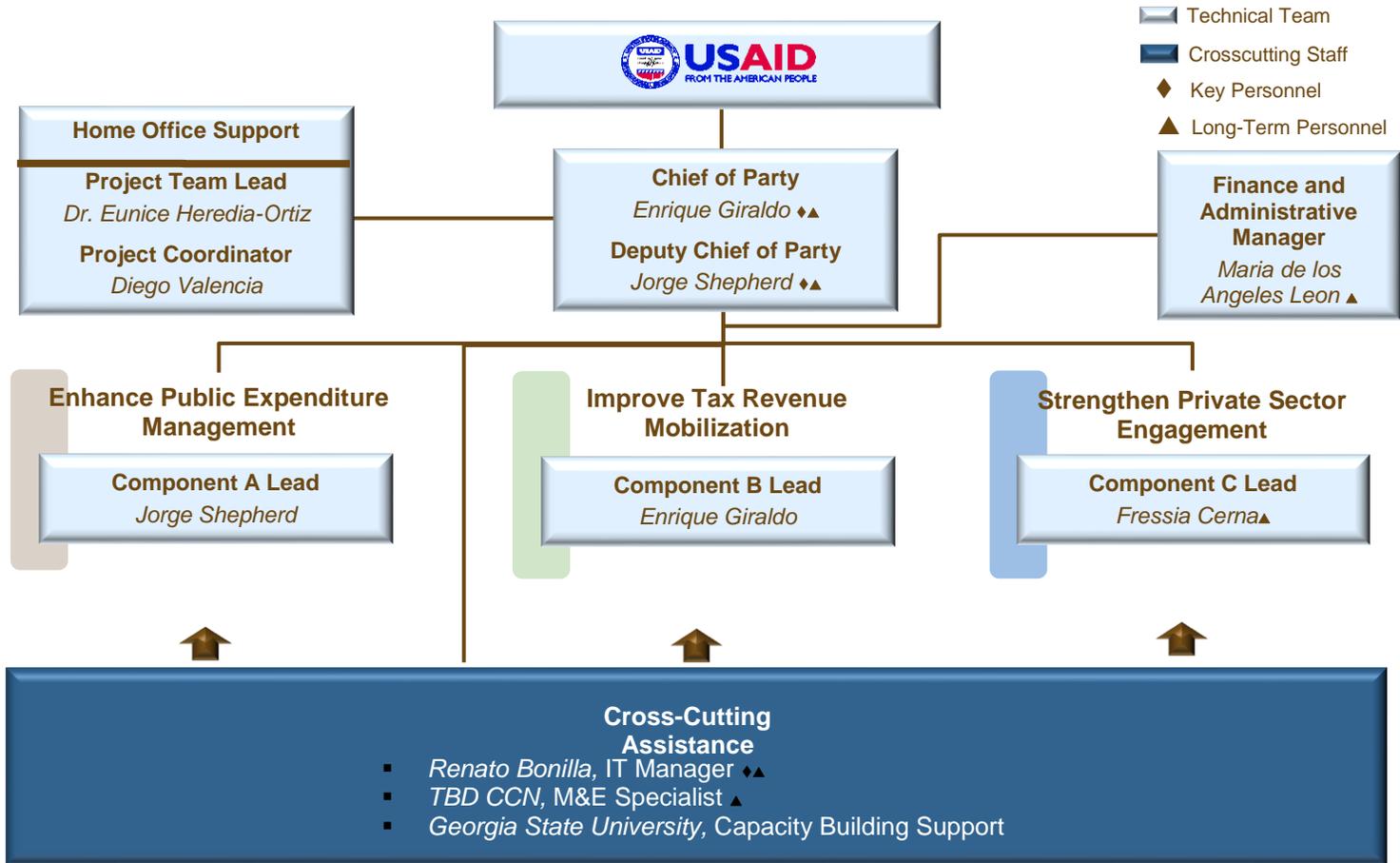
The commitment from the MOF executive staff and the counterpart team plays a very important role in the successful implementation of the project's activities. High-level MOF officials have understood the need for change and have expressed their commitment to building solid foundations for implementing a modernized tax and public expenditure management system, consolidated in a multi-year perspective, shifting from a budget process that pays for costs, to one that focuses on prioritizing needs and providing enduring results.

MANAGEMENT AND ADMINISTRATION

The Chief of Party, supported by the Deputy Chief of Party, Component leads and crosscutting specialists, leads the project. FPEMP has a main project office located on the sixth floor, Tower 3 of the MOF's DGII building. Consequently, FPEMP plans to add an embedded project office within the DGP. Figure 2 presents the current FPEMP management and team structure. The following persons comprise the FPEMP management team, as of this date:

- Chief of Party and Component B Lead (Tax Revenue Mobilization): Mr. Enrique Giraldo
- Deputy Chief of Party and Component A Lead (Public Expenditure Management): Mr. Jorge Shepherd
- IT Manager (Cross-cutting assistance): Mr. Renato Bonilla
- Finance and Administrative Manager: Marielos Leon

FIGURE 2: FPEMP ORGANIZATIONAL CHART



PARTNERS

For FPMP, DAI has partnered with Georgia State University's International Studies Program (ISP). ISP has provided technical expertise throughout the LAC region for USAID, the World Bank, United Nations Development Program, and others. Since ISP's inception in 1996, its faculty experts have participated in hundreds of academic partnerships, consultancies, and training projects globally. Georgia State University's ISP's director and key faculty staff constantly engage in academic research as well as technical assistance, capacity building, and training, providing evidence-based policy advice and recommendations. ISP will be a prime contributor to capacity building and training programs in El Salvador and in the United States.

INTERNATIONAL DONOR COORDINATION

Making international aid more effective and efficient requires discussing and coordinating ideas and programs with other donors and multilateral agencies. During the last two years, the GOES has advanced its fiscal reform agenda with support from the IMF, World Bank, IDB, USAID, and others. FPMP, will support coordination efforts and, if requested, lead USAID's coordination efforts to yield maximum returns on donor investments. FPMP will be in constant communication with other donors and multilaterals, assisting the GOES to gain greater control over donor commitments while shaping the development agenda.

II. COMPONENT A: Public Expenditure Management (PEM)

The FPEMP project will help the GOES advance its PEM reform agenda, resulting in a budget process that is fully transparent and analytically sound, and a PEM system that encourages effective, responsive, and innovative government. Almost all PEM modernization—whether commitment controls, treasury operations, or even result-oriented budgeting (ROB)—begins within the MOF. Our assistance strategy will stem from input provided by the pertaining MOF units and will systematically engage other line agencies in modernizing systems and procedures, and deepening capacity for results-oriented budgeting and management.

The MOF has already laid important foundations for an efficient, transparent, and results-driven PEM system. Early results-oriented budgeting (ROB) elements have been implemented at a few ministries on a pilot basis, including Agriculture and Health. The GOES financial management information system (SAFI) provides a framework for tracking and reporting on spending. Additionally, the MOF has produced a strategic plan envisioning a public sector that has critical tools and information with which to make better decisions and manage for results.

Yet, important challenges remain that FPEMP must help the government to address. The PEM work plan is the result of meetings with the corresponding government units, including the Vice-ministry of Expenditure, the Directors of Budget, Treasury, DINAFI, Government Accounting, Public Investment and Credit, DACI, as well as key counterparts at the technical levels. Additionally, the work plan involves the necessary coordination efforts with the IMF technical mission supporting PEM reform in El Salvador.

The international experience in PEM reform, particularly in implementing ROB around the world and Latin America, reveals the need for strong coordination between different stakeholders, an integral approach to reform, and absolute support and buy-in for reform stemming from the different government units. The proposed tasks and activities follow the international best practices in establishing ROB; single treasury account (STA), and government financial management information systems, while taking into account the strengths of the already established foundations in the GOES PEM system.

COMPONENT OBJECTIVES

Long-term objectives under Component A include:

- Enhanced skills in budget formulation, monitoring, and evaluation
- Improved budget and policy analysis
- Accounting and financial controls that follow international best practices
- Operational multi-year ROB knowledge and applications throughout the GOES
- Improved efficiency of the Treasury to program and manage government funds
- A modernized, integrated government financial management information system (SAFI), which enables consistent budget formulation, execution, and M&E processes across all spending agencies.

First Year Component A Results

To achieve these long-term objectives, FPEMP Component A aims at obtaining the following results by the end of year one:

- **Structural Modernization plan of the MOF**
Measurement: Undertake an assessment of the General Budget Directorate, the Directorate General of Investment and Public Debt (DGICP), and the Directorate General of Government Accounting (DCG), and coordinate with the IMF's technical assistance the development of a Workplan for the Directorate General of the Treasury to evaluate each directorate's current structure and capacities and to provide recommendations on organizational, functional, and administrative reform.
- **Enhanced capacity to make decisions about capital expenditure**
Measurement: Deliver training programs on cost-benefit analysis, program prioritization, and project appraisal and design techniques to guide public investment decisions based on project economic analysis.
- **Upgraded General Accounting Operations and Procedures**
Measurement: Completion of a revised budget nomenclature and a harmonized Chart of Accounts for the public sector, compatible with international standards (Normas Internacionales de Contabilidad para el Sector Publico). This component will be managed by the DGCG.
- **Support the implementation of the Treasury Single Account. Design and implementation strategy for a fully functional Treasury Single Account**
Measurement: Support together with other donors the design of the TSA, through the establishment of a TSA Task Force, integrated by DGT, DINAFI and FPEMP, which will be responsible for its implementation.
- **Support the implementation of a Advancing Medium-Term, Results-Oriented Budgeting**
Measurement: Support the creation of the logical frame matrixes focused on ROB in the budget formulation within two pilot ministries (health and agriculture) including medium term sector strategies, programmatic budget classification, and performance indicators.
- **Upgrading the SAFI in budget formulation operations in ROB environment**
Measurement: Creation of SAFI's first module for budget formulation under the ROB environment. The task will be accomplished in coordination with the DGP and DINAFI.
- **More effective, efficient and transparent processes and procedures governing public procurement**
Measurement: Evaluate the feasibility to support within the program's framework the functional design of a government-wide e-purchases system. The task will be accomplished in coordination with UNAC and DINAFI.

- **Strengthening budget monitoring and evaluation capabilities within priority sectors**
Measurement: Deliver workshop and on-the-job training to the DGP, DGICP and the expenditure units staff, on monitoring and evaluation of performance indicators under ROB for health and agriculture.
- **First year purchase of hardware and software**
Measurement: In supporting the program’s tasks and activities, the FPEMP team in coordination with the Ministry of Finance, DGII, DGP, DGICP, DGT, DINAFI, DGCG and UNAC will develop a procurement plan.

SUMMARY OF MILESTONES

The following table presents the various milestones that are planned over the first year work plan period.

Table 1. Component A, Public Expenditure Management: Milestones

Component A Milestones	Q1	Q2	Q3	Q4
Assessments and modernization plan for the DGP, DGT, DGICP, and DCG				
Training courses to DGP, DGICP and DGPFE on cost-benefit analysis and project appraisal				
Assessment of chart of accounts and the General Accounting Directorate				
Support on the implementation Plan for the Treasury Single Account				
Support the creation of a time-series macro and fiscal database to be used by DGPFE, DGP, DGII and DGICP.				
Development of the logical framework approach for ROB in Health and Agriculture sectors				
Training courses on ROB to 35 officials of the DGP, the Ministry of Agriculture and Ministry of Health..				
First module of the SAFI’s budget formulation under ROB				
Development of first IT applications for e-procurement				
First year purchase of hardware and software				

DESCRIPTION OF ACTIVITIES

Table 2 provides a list of specific tasks for each area of assistance planned for Component A during year one. The following table is followed by a summary discussion of year one activities.

Table 2. Component A, Public Expenditure Management: Schedule of Activities

Activities by work area	Q1	Q2	Q3	Q4
1. Assessment and modernization plan of the MOF				

Assessment of the DGP and DCG				
Benchmarking study of public expenditures				
Modernization plan for the DGP, and DCG				
2. Improving skills for budget analysis				
Workshop on cost-benefit analysis for the DGICP and the DGP				
On the job training on cost benefit analysis to DGP officials.				
Training courses on fiscal policy and public financial management to 30 officials of DGP, DGICP, DGPFE and DINAFI.				
3. Implementation of international accounting standards				
Assessment of the current status of the Salvadoran chart of accounts				
Develop harmonization program of the chart of accounts and budget classifiers				
First phase implementation of harmonized chart of accounts				
Review cash accounting system and readiness to convert to accrual accounting				
4. Implementing a treasury single account				
Coordinate with the IMF the development of a TSA implementation plan				
TSA system management training to 10 officials of the DGT.				
Support the implementation t of the TSA in coordination with other donors				
5. Advancing medium-term, results-oriented budgeting				
Organization of the ROB task force team at the DGP				
Training and workshops on ROB methodology 35 officials of the DGP, the Ministry of Agriculture and Ministry of Health.				
Development of the logical framework approach (LFA) for Health and Agriculture fiscal year 2013				
Development plan for medium term macro and expenditure frameworks (with the IMF)				
6. Development of COMPRASAL 2 (E-procurement system)				
Development of the application of procurement planning for direct purchase (Libre Gestion) to be used by all the UACIs of the GOES.				
Application testing				
7. Improved budget monitoring and evaluation				
Workshop on monitoring and evaluation of performance indicators under ROB for health and agriculture <u>To be attend by 35 officials of the DGP and DGICP.</u>				
On the job training and development of tools on monitoring indicators under ROB for health and Agriculture to 20 officials of the DGP, MOH and HOA.				
8. Development of the budget planning module of the SAFI				
Development of the Budget Planning module to be used by the Budget Planning and Programming Unit of the DGP.				
Module testing with DINAFI and DGP.				
9. Purchase of Hardware and Software				
Hardware and software purchase plan				
First year hardware and software procurement				

Discussion of Technical Assistance Areas

The FPEMP project staff has met with numerous counterparts at the MOF to discuss and agree on the project tasks and work plan. The MOF has expressed that it is enthusiastic and committed to support the project tasks and is fully engaged in the vision of achieving results and making the Salvadoran public expenditure and revenue systems a model for the region.

There are certain pre-conditions that are critical and must be met for building the foundations of a modern public expenditure management system. The FPEMP project activities in the first year will focus on preparing the MOF directorates toward that scenario. The activities to be developed will focus on the achievement of effective implementation of the reforms envisioned, as well as the tasks outlined in the Task Order.

Essentially, FPEMP will aim to support the GOES efforts to attain a credible budget that is fully executed, where budget results are tracked with proper program accountability and project management. With the implementation of the Classification of the Functions of Government (COFOG) standards underway, the Government will enable gradual progress towards a program-based budgeting system. This budget aligns program expenditures, sub-programs, and activities within each administration unit and complies with all lines of accountability within the MOF Chart of Accounts. This process will provide clear guidelines and standardized definitions for the practice of using a program-based budget system.

Good budget formulation will also allow more adequate monitoring and evaluation of budget performance. It will build on the ongoing budget reform efforts to improve the linkage with selected output and outcome indicators and move gradually towards a more comprehensive budget system where the inputs are more effectively linked to service delivery. In the short term, the goal is to gradually improve the linkage between government policy, organizational strategy and the budget using the MTEF as the key link.

In support of the above, FPEMP will lay out a specific time-bound reform plan to broaden the budget scope of the two first pilot sectors, health, and agriculture, to include a program, sub-program and activity structure. This will enable the GOES to establish a policy-driven system that adheres to major upstream programmatic goals in these areas. Concurrently, the FPEMP team will provide technical support to implement performance management, accrual accounting practices and financial reporting standards to assist public sector management, including a budget system that links inputs to specific program outputs and outcomes. These actions are intended to gradually transition to a results-based budgeting system in top priority programs, to increase accountability and transparency, and to provide and use information on performance for policy planning and management enhancing efficiency and effectiveness in budget preparation, execution, and oversight.

FPEMP will assist the GOES' PEM reform agenda by ensuring that financial resources are allocated based on outcomes to be achieved, by matching program costs with program results, and by comparative assessments of program efficiencies, effectiveness, and relative worth in producing the desired results.

The following are -FPEMP tasks and activities to be carried out in the first year of operations. Complete details of all tasks will be fully developed and included in specific scopes of work, in coordination with the MF and USAID, when appropriate.

Assessment and modernization of the MOF

Improving budget planning, analysis and evaluation will ultimately require establishing clear roles among government units that can be fully dedicated to support the budget process. FPMP recommends that organizational reform needs to take place within the MOF, and specifically the General Budget Office (DGP), to ensure that rigorous planning, analysis, and performance measurement are truly integrated in the budget process while increasingly informing budget formulation and execution.

Advancing the ROB agenda will require clear roles among all the government agencies involved in the budget process, including the Technical Secretariat of the Presidency (STP) which has taken the lead in terms of budget M&E. The DGP must take ownership over time to ensure that rigorous planning, analysis, and performance measurement are truly integrated in the budget process, which will consequently inform budget development and execution. The FPMP team will help develop recommendations for restructuring and strengthening the DGP and other MOF units, based on international best practices, working closely with government counterparts to achieve the best results.

One of the first tasks involves developing a benchmarking study on public expenditures and updating the one on taxes (previously developed under USAID/TPAR). The benchmarking study will represent the base line indicators that will provide an adequate tracking system of fiscal indicators to ensure achievement of the project and the MOF's goals and objectives.

Additionally, the project will undertake assessments of the General Budget Office, the Directorate General of Investment and Public Debt (DGICP), and the Directorate General of Government Accounting (DGCG), to inform each unit's current structure and capacities and to provide recommendations on organizational, functional, and administrative reform. The FPMP team will then develop a proposal to restructure and strengthen the different units within MOF, and present this proposal to MOF authorities. Once the proposal is approved by the Minister of Finance, the FPMP team will develop an implementation plan, which will be developed by the end of first year.

In the first year, FPMP anticipates the need to create/strengthen the following MOF units:

- a) By transforming the Budget Monitoring and Evaluation Unit (UMEP) under the DGP into a unit fully dedicated to budget formulation, policy analysis, monitoring, and evaluation. Prioritization of spending, cost-saving identification, and performance monitoring are just some of the functions that this unit can carry out.
- b) Support the creation of a One-Stop Debt Center: FPMP will support the creation of a central debt policy unit under the Directorate General of Investment and Public Debt. The main goal is to establish and execute a strategy for managing the government's public debt portfolio while achieving specific objectives on costs and risk. The necessary organizational restructuring and equipping, together with a unified debt registry and management information system will be established. Additionally, a proposal will be put forth for the creation of a Project Appraisal Unit within the DGICP.

Effective implementation of basic ongoing PEM reforms

For several years, El Salvador has undergone reform measures in a number of PEM components, some of which are continuing. Recently, the Government has called for further action in the areas of policy analysis and development, budget management, treasury management and accounting, procurement, public investment management, and information technology services, all of which intend to form part of an ancillary PEM reform strategy that supports fiscal consolidation and boosts efficiency, effectiveness, transparency and accountability in public service delivery and resource management.

FPEMP will support supplementary actions of a reform plan that first addresses the basics during the first year and then ensures that they are firmly in place before expanding the reforms. For example, establishing capabilities to develop a medium-term expenditure framework (MTEF) in health and agriculture and a reformed budget calendar; comprehensive budget classifications; accurate, transparent and improved cash forecasting; and enhanced controls over public investments should be addressed as soon as possible and supported through FPEMP. To that end, PFEMP will take stock of the progress and the recommendations in establishing a credible MTEF and pursuing other reforms in relevant areas of the budget.

- **Support the Realization of MTEF**

As part of the ongoing basic reforms, FPEMP will strengthen the capacity of the DGP and the DPEF (*Dirección General de Política Económica y Fiscal*) teams assigned to the health and agriculture task to form the Budget-Planning Unit to lead and deploy the MTEF within MOF and selected agencies. As part of this effort, FPEMP will support the reviewing of the existing financial legislation in order to firmly commit to a three-year medium term outlook, set an enabling agenda for supporting reforms in planning, and budget management.

- **Support the Realization of other Basic Ongoing Reforms in Planning and Budget Management**

FPEMP will support the process, as requested by the MOF, of other associated core reforms in the first year and assist in the process of reviewing the existing budget preparation manual and draft new planning and budget guidelines (PBG) as an integral part of the strategic budgeting process. The strategic budgeting process will aim to provide for the policy-budget connection, a credible resource envelope and budget ceilings against which ministries, departments and agencies (MDAs) can prioritize their activities involving national and sector level (health and agriculture) strategies.

Among others:

- a) The PBG will provide a clear separation between (i) its role in analyzing and setting out the policies, priorities and resource envelope that would underlie the preparation of the budget; and (ii) providing detailed guidance to MDAs on the requirements for the preparation of their budget submissions;
- b) The PBG manual will serve to formulate the annual budget and to guide the management of government operations and programs; and
- c) The PBG will provide a global performance framework with which to analyze not only the previous year's fiscal performance and the outline of next year's financial plans, but also the Government's medium-term strategy and priorities for action for the upcoming years, along with the expected outputs and outcomes for that period.

Harmonizing of the government accounting system as a means for strengthening public expenditure management

The Government has launched a reform plan aimed towards shifting its basis of government accounting and reporting to accrual standards and FPMP will assist MOF counterparts with this effort, to improve transparency of Government operations. FPMP will provide assistance based on successful reform experiences in other comparable countries. FPMP will propose a harmonized approach and discernible coordination within the MOF, to ensure not only a uniform application of principles for recognizing public revenues and expenditures but also the proper financial recording and the consistency and comparability of financial statements prepared and presented in different government jurisdictions.

- **Set out a Proposal for the functional and administrative reform of the Directorate General of Government Accounting (DGCG)**

In the first year of operations, the FPMP team will review the overall implementation plan aimed towards shifting to accrual accounting standards and propose supplementary accounting arrangements and functional and administrative reforms. These will emphasize reform proposals and training, including organizational restructuring, accounting policies and rules and coordinated movement to accrual accounting in the Ministries of Health and Agriculture, with a view to expand to other government units over the medium term.

- **Support the implementation of the newly reformed government accounting and reporting system**

During the first year, the FPMP project will provide technical guidance to DGCG in its pursuit for ensuring a sustained progression towards full accrual accounting and improving the current accounting practices in coordination with performance-based budgeting and other financial management reform measures. Among others, the FPMP team will assist on the following:

- a) To validate the design of the migration process to accrual accounting policies and undertake a gap analysis to review the proposals and the progress made so far in regards to individual accounting standards and the respective methods and posting rules, ledgering requirements and the government financial reporting standards;
- b) To address theoretical and technical issues during the implementation of accrual accounting standards and rules, specifically in clarifying the fundamental principles of El Salvador's government accounting, such as:
 - a. Objectives;
 - b. Main information users;
 - c. Qualitative characteristics;
 - d. Reporting entity;
 - e. Elements of financial statements;
 - f. Recognition criteria;
 - g. Measurement; and
 - h. Presentation
- c) To elaborate a proposal for piloting of the accrual basis in the accounting treatment of certain transactions and events of the government to strengthen financial management in selected executing agencies and units, i.e., public hospitals.

- d) To accumulate practical experience for undertaking government accounting reform and undertake a study tour on a selected country with advanced practices and reform experiences in accrual-based accounting;
- e) To provide other advanced and integrated systems solutions and other capacity building and training assistance within selected government units, which include clarification on the following: (i) await IPSAS conceptual framework and technical specifications to provide guidance to practice; (ii) training needs assessment—surveying the levels of skills proficiency in full accrual accounting within Government; and (iii) training of government accountants.

- **Enhance systems solutions and integration to facilitate budget planning, accounting and tracking**

In its first year, FPMP will assist the MOF in drafting a multi-year IT strategy plan as required for the gradual implementation of accrual accounting standards. Such a plan will address the need for integrating budget accounting, a unified treasury ledgering system (the treasury single account), and financial accounting (full adoption and standardization of a general ledger system, compatible with GFS2001, that can produce meaningful financial statements by Government entities, according to IPSAS).

In general, FPMP will help the MOF upgrade and expand the Integrated Financial Management System (SAFI)'s functionality to make it a more dynamic and powerful tool for budget planning, accounting, management and evaluation. System enhancements will include:

- a) Initialize the development of the new budgeting module to facilitate recording of budget adjustments, including creating, transferring, or reducing expenditure allocations approved in the annual budget;
- b) Initialize the Development of the SAFI's budget execution module to facilitate accurate and regular recording of budget transactions at each expenditure stage (from authorizations through payments) and to ensure full integration between transacting of financial flows and accumulation of receivables and payables in an accrual accounting setting.¹ These actions aim towards enabling improvement of human resources management and monitoring of payroll and pensions obligations; procurement management, tender adjudication and monitoring of contractor obligations; arranging and monitoring of new public investments and debt obligations; and other core ledgering and tracking systems; and
- c) Designing and developing a monitoring and evaluation (M&E) module that will integrate performance indicators to support tracking and measuring of physical and financial components of budget execution.

During the first year, FPMP will work together with MOF counterparts to establish user requirements, develop system specifications, procure and support installation of core software and IT applications and provide other internal controls and procedures, manuals, and other key systems inputs. Once these systems are in place, FPMP will assist the MOF in developing the formats, reports, and user interfaces needed to enhance the content presented in its "Fiscal Transparency Portal".

¹ Annex 1 contains a more detailed explanation for the approach that FPMP will take in supporting software development throughout the program, namely, Software Factory.

- **Standardize a “Whole of Government” Chart of Accounts and Reporting Formats**

In its first year, FPEMP will assist in the preparation of a harmonized chart of accounts for budgeting, accounting and reporting for all Ministries, Departments and Agencies. This includes the adoption of a GFS compliant budget classification system and chart of accounts; and developing of a consolidated annual financial statement that complies with international standards.

The FPEMP team will validate the design of the new budget classifiers and the extended COA and show the initial benefits of using the NIC-SP standards in the monitoring of budget performance across priority programs and of government assets and liabilities across government entities.

Strengthen Budget Administration within Line Management

During the first year, FPEMP will assist the Ministries of Health and Agriculture in strengthening budget administration. More specifically, the FPEMP team will oversee the process of strengthening the technical capabilities of the two sectors aimed towards better monitoring the budget outputs and physical targets and evaluating the impact of public expenditure and the extent of the allocation efficiency across priority programs.

Support the implementation of reforms in the Directorate General of the Treasury (DGT) and establishing of the Treasury Single Account

In its first year, the FPEMP team will support the design of a treasury single account (TSA) system to modernize the payment process and provide a detailed plan for operation. The TSA is to be designed to include a set of bank accounts through which the GOES will be able to record and report all revenue and payment transactions on a regular basis. TSA reporting will include daily cash balances and transactions recorded according to a uniform classification and through a unified treasury ledger system (TLS). For an efficient budget implementation and proper financial recording of Government transactions, the TSA will require a centralized system of cash management to ensure that the Government has a complete and accurate record of all financial transactions. Among others, it will require that domestic and external revenues are collected and deposited to and claims are paid from GOES Treasury in a timely basis and according to the accrual terms and conditions agreed on with Government.

Assessment of the feasibility of a Government-wide e-Purchases System (COMPRASAL)

The FPEMP team will evaluate the possibility to support the modernization of public procurement management processes and more transparent fiscal reporting systems that ultimately leads to the establishing of an e-procurement portal (COMPRASAL), as part of e-governance infrastructure facilities.

Deepening results-oriented budgeting (ROB) within Priority Sectors

A long-term objective is to implement a results-based budgeting system commensurate with the needs of El Salvador. The objective of FPEMP is to support the ROB efforts directed to key social programs and make PFM systems more results-oriented as well as to increase transparency and accountability; and to provide and use information on performance for policy, planning and management in order to enhance efficiency and effectiveness in budget preparation, execution and oversight, particularly within the civil service and procurement of goods and services. Full implementation of ROB will ensure that scarce financial resources are allocated based on outcomes (results) to be achieved, by matching program costs with program results, and by comparative assessment of program efficiencies, effectiveness, and relative worth in producing the desired results.

- **Implementation of a ROB for the Ministries of Health and Agriculture**

The DGP will assign a team to work exclusively in the development of a ROB for the health and agriculture sectors. FPEMP team will provide guidance and coordination to develop the Logical Framework Approach (LFA) and the system of indicators. During the last months of 2011, the team will work in the development of the sectors output portfolio, services demand and all technical studies required to develop an adequate LFA. During 2012, the team will work in the budget planning and programming aspects for the fiscal year 2013 following the ROB methodology. Special attention will be provided to the development of transparency and accountability strategies in coordination with the Component C team.

- **Functional and Administrative Reform for Introducing Results-Based Budgeting within Priority Programs**

Undertake a feasibility study of the functional and administrative requirements for introducing RBBS within the health and agriculture sectors.

- **Design of a budget monitoring system with a set of performance indicators across key programs**

Support the Unifying and Modernization of Registry and Management of Public Debt

The PFEMP team will assist, if necessary the OTA's tasks in the drafting of a time-bound strategy plan for reorganizing and strengthening the debt management and policy functions, under a unified debt unit at the Directorate General of Investment and Public Debt (DGICP). This will lead to the elimination of disperse and redundant efforts in maintaining various parts of the debt information by different government organizations and improving their recording and reporting by one sole public finance entity.

Support the strengthening of public investment management processes to improve budget performance and accountability

- **Undertake a capacity assessment of the Directorate General of Investment of Public Debt**

During the first year, the FPEMP Project will assist in undertaking a capacity assessment of the Directorate General of Investment and Public Debt (DGICD) and propose suitable management

structures, processes and information systems and tools so that appraisal and selection of capital investment projects become subject to better prioritization and rigorous cost-benefit analysis and environmental studies.

- **Assist the MOF instituting cost-benefit analysis for supporting investment decisions**

FPEMP will assist in the development of a manual designed to guide project management users to cost-benefit analysis, with particular emphasis on project appraisal in the public sector. The manual aims to provide a solid understanding of what is involved in carrying out economic evaluations of large and medium size projects.

Support the upgrading of the MOF Fiscal Accountability and Transparency Portal

FPEMP will assist the MOF counterparts in upgrading the current fiscal transparency practices and website of GOES by taking in conformity with the guidelines and requirements of the IMF Code of Good Practices on Fiscal Transparency and other quality standards and international best practices. Based on recent diagnostic work, the FPEMP team will assist in any of the following activities:

- Undertake a specific assessment on the existing information, webpage and information systems;
- Propose a suitable organization, processes and functions for a fiscal transparency portal's management and sustainability;
- Design and construction of a fiscal transparency portal in consultation with key users and players; and
- Dissemination and training to use the fiscal sustainability portal.

Capacity Building and Training

The FPEMP project has a strong training component, comprised of strengthening PEM staff's technical capacities and advising on the training programs and systems to be developed.

- **Training the Trainers**

FPEMP will strengthen PEM training capabilities by training trainers in teaching methods and manuals development. There will be a special focus on developing capabilities in On the Job Training (OJT) methods.

- **Training the Managers**

The senior management levels will be trained with emphasis on the implementation of a strategic planning policy, expenditure management best practices, personnel policies and management systems and control.

FPEMP foresees delivery of numerous training programs in year one, including:

- MTEF Training (Ministry of Health and the Ministry of Agriculture)
- Training on Results-Oriented Budgeting

- Training on Strategic Planning and Budget Management (Directorate General of Budget and Ministries of Health and Agriculture)
- TSA Training (Directorate General of Treasury and Ministries of Health and Agriculture)
- Training on Centralized Payments (Directorate General of Treasury, Directorate General of Government Accounting and Ministries of Health and Agriculture): FPEMP will strengthen the payments area, and in particular, due payments. Prior to offering training in payments, TPAR will develop procedures manuals and recommendations for reorganization.
- Training on Unifying Debt Registry and Management (Directorate General of Investment and Public Debt)
- Training on Cost-Benefit Analysis (Directorate General of Investment and Public Debt and Ministries of Health and Agriculture)
- Training on Accrual Accounting (Principles, Standards, Policies and Posting Rules)
- Training on the structural changes in the Modernization Plan: Following the process of the administrative and functional reform and restructuring, the PEM personnel will be trained in all elements related to the mission, vision, organic structure, functions and procedures of the organizational structure.

Hardware and software procurement

The development of new systems, or improving the capacities of the existing, requires an appropriate assessment of the capacities in the hardware infrastructure on which they are operating. The FPEMP will perform the necessary needs assessment for computers, servers and other equipment. Additionally, the FPEMP Project will determine the software requirements to implement the tasks. FPEMP will recommend the equipment to be purchased and will manage the procurement process.

In order to perform this task, the project IT coordinator will conduct an assessment of the current structure, the project components requirements, and will develop a procurement plan for hardware and software.

III. COMPONENT B: Tax Revenue Mobilization

A series of tax reform packages and efforts to modernize tax administration, including USAID's support through TPAR, have led to notable improvements in tax revenue performance and tax compliance over the past decade. The passage of the 2009 fiscal reform package, coupled with recently announced plans for sweeping new reforms in 2012, signal the government's commitment to enhancing revenue mobilization and creating a tax system that is more equitable, efficient, and taxpayer-friendly.

Achieving the GOES' goal of raising the tax ratio to 17 percent of gross domestic product (GDP) by 2014, however, depends on its ability to broaden the tax base, simplify the tax system, and accelerate institutional reform. It also hinges on whether the government can forge a constructive dialogue with the private sector that leads to greater voluntary compliance—the hallmark of a strong, modern tax system.

The FPEMP team is committed to achieving results. FPEMP will continue efforts started under the TPAR project, resolving systemic problems with the taxpayer database, strengthening tax enforcement and fiscal compliance, and supporting the development and implementation of future fiscal reforms. FPEMP will work closely with the MOF, DGII and the private sector, helping the MOF achieve a model of excellence for tax administrations in the region.

The present first year work plan is the result of meetings with the Vice-ministry of Revenues and the Directors of Internal Revenue, Customs, Treasury, DINAFI, and the IMF technical mission. These first meetings show important advances. The Vice-ministry of Revenues has been established, the CSMS is fully operational, and the political environment is welcoming to the additional changes required to achieve a model of excellence for tax administration.

COMPONENT OBJECTIVES

Long-term objectives under Component B include:

- Sound, coherent tax policy
- Consistent, clean, and up-to-date taxpayer records
- Targeted audits and improved tax enforcement
- Greater fiscal compliance

First Year Component B Results

To achieve these long-term objectives, FPEMP Component B aims at obtaining the following results by the end of year one:

- **Restored and protected integrity of the taxpayer registry**
Measurement: Redefined processes for emission and renewing of the taxpayer identification number. Launch the first phase in the cleaning of the taxpayer registry.
- **Updated Taxpayer Current Account system**
Measurement: Reconciliation of taxpayers' current account balance. Achieve reconciliation of sixty percent of the sample of accounts selected by MOF.

- **Upgraded Case Selection Management System (CSMS)**
Measurement: First phase of CSMS upgrading completed, including case selection and case management tools for the Fiscal Compliance, Customs, and the VAT refunds units.
- **Improved Large Taxpayers Office**
Measurement: Establishment of a renewed, “one-stop-shop” large taxpayer’s office, refining its scope to manage 400-500 largest taxpayers, improving its income tax and VAT audit techniques.
- **Technical guidance in the drafting of future fiscal reforms to DGII**
Measurement: Technical assistance provided for the review and drafting of future fiscal reforms.
- **Procure the necessary hardware and software for the successful implementation of the proposed year one activities**

SUMMARY OF MILESTONES

The following table presents the various milestones that are planned over the first year work plan period.

Table 3. Component B, Tax Revenue Mobilization: Milestones

Component B Milestones	Q1	Q2	Q3	Q4
60% cleaning of the MOF-defined sample from the taxpayer registry				
60% cleaning of the MOF-defined sample of Taxpayer Current Accounts				
Upgraded case selection and case management capabilities of the Fiscal Compliance Unit				
VAT refunds unit case management system developed				
Establishment of a renewed Large Taxpayer Office				
VAT and Income Tax Training for Large Taxpayers				
Technical support to the drafting of future fiscal reforms				
Hardware and Software procurement				

SCHEDULE OF ACTIVITIES

Table 4 provides a list of specific tasks for each area of assistance planned for Component B during year one. The following table is followed by a summary discussion of year one activities.

Table 4. Component B, Tax Revenue Mobilization: Schedule of Activities

Work Area	Q1	Q2	Q3	Q4
Cleaning of the Taxpayer Registry				
Assessment of TRS current status				
Development of the work plan				
Creation of the FPEMP and the counterpart team				
Development of the TRS cleaning				
Reconciliation of the Taxpayer Current Accounts (TCA)				
Assessment of TCA current status				
Development of the work plan				
Creation of the FPEMP and the counterpart team				
Development of the TCA cleaning				
Fiscal Compliance Management System Developed				
System development				
System testing				
VAT refunds management system developed				
System development				
System testing				
Customs post clearance control management system developed				
System development				
System testing				
Technical support to the Large Taxpayer Office				
Technical support to the implementation plan				
Call center development				
Managers training				
VAT and Income Tax Training for Large Taxpayers				
Income tax audit techniques training				
Transfer Pricing audit techniques training				
VAT audit technique training				
Technical support in the drafting of new fiscal reforms				
Definition of legislative agendas with the MOF				
Technical support in the fiscal reforms regulation				
Procurement of Hardware and software				
Hardware and software procurement				

Discussion of Technical Assistance Areas

During 2005-2010, technical assistance provided by USAID through the TPAR project helped GOES achieve important goals in tax policy and administration, building the foundation of a solid tax system based on transparency, efficiency and sustained improvements in tax collections. FPEMP will build on these achievements in order to consolidate an integral, strong and transparent tax administration.

The activities included in the first year work plan for improving tax revenue mobilization are the result of meetings with numerous counterparts at the MOF. The MOF counterparts stated that they are enthusiastic and committed to support the project tasks. As mentioned in Component A, one of the first activities the project will undertake is to update the tax benchmarking study that was developed during TPAR. This study will allow better monitoring of fiscal performance targets and project results.

The FPEMP team will be working closely with the recently created Vice-ministry of Revenue, which oversees the tax, customs, and treasury directorates. FPEMP will support the Vice-ministry in tax revenue mobilization efforts by creating a “whole of revenue” by upgrading the CSMS in a way that integrates in the CSMS customs, taxes, appeals, VAT refunds, collections and the Criminal unit. The system will be improving coordination between the different directories and thus contributing to better tax enforcement and reduction of opportunities for tax evasion.

The MOF has prioritized the need to integrate the taxes and customs control and audit programs. As such, the FPEMP will assist in upgrading the CSMS creating new applications for the Fiscal Compliance, VAT refund, and Customs units. Additionally, the project will support the integration of new data in the CSMS to make the selection process more efficient, improving the detection of tax evasion, tax avoidance, and customs violations.

The taxpayer current account and the taxpayer registry will be liberated from their current discrepancies and lack of reliability, providing the MOF with options and recommendations to solve the various issues and to avoid this situation from happening again in the future.

Another priority for the MOF is the renewing of the Large Taxpayer Unit, including restructuring its organization and score and establishing new offices that will centralize its functions and improve large taxpayer services.

These activities will support further improvements in tax administration and revenue collection performance, paving the road towards achieving the GOES’ revenue collection targets. The following are FPEMP’s Component B tasks and activities to be implemented in the first year of operations. Complete details of all tasks will be fully developed and included in specific scopes of work, when appropriate.

Cleaning of the Taxpayer Current Account

The task of updating the Taxpayer Current Accounts is critical. The FPEMP team will work closely with the Fiscal Compliance Division as they determine and select the sample of accounts that are considered to be in critical condition. The cleaning process will start here. The project team will coordinate the effort and will make the make recommendations and implement the

changes to the Current Account System while developing the necessary processes and procedures to avoid the current situation from happening again.

Cleaning of the Taxpayer Registry

The task of cleaning the records of the Taxpayer Registration System-RUC will begin with the Taxpayer Assistance Division, which will determine the number of taxpayer records that are critical for the cleaning process begin. This Division will provide a counterpart team that will work in conjunction with the FPEMP team. The project will coordinate the effort and will make the changes to the RUC System and develop the necessary processes and procedures to avoid the current situation from happening again.

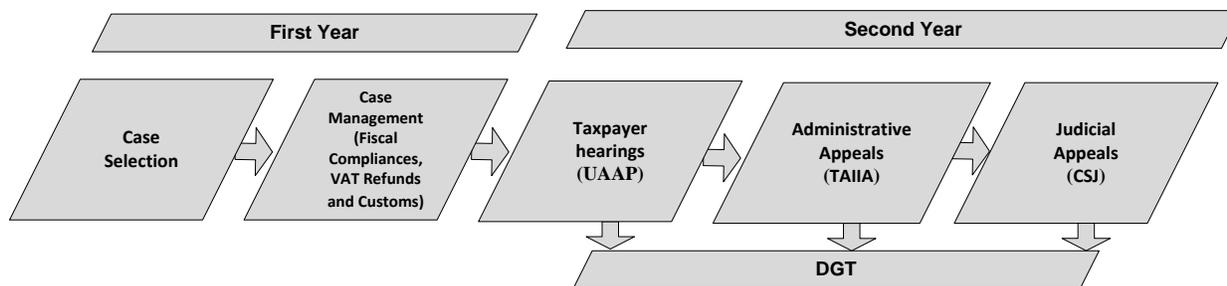
Upgrading the Case Selection Management System

The fiscal reform of 2009 included new reporting responsibilities for large taxpayers regarding the purchase and sale of goods and services, yet this information has not been used and integrated in the tax audit and control algorithms. Additionally, the creation of the Vice-ministry of Revenues established a new strategy of an integrated tax and customs system that calls for a new case selection model. The approach will be to upgrade the CSMS in a way that integrates the tax and customs, taking advantage of integrated information to materialize an efficient control system that can help the GOES to achieve the revenue targets.

Development of new components in the Case Selection Management System

The CSMS is a software system that is flexible, and can be configured to include further add-ons such as data flow and control tasks to execute the tax control activities. As such, the FPEMP team will assist in upgrading the CSMS capabilities to expand beyond the audit and control areas under the CSMS’s environment. As shown in Figure 3, the new CSMS will provide case management capabilities to two new units, the Fiscal Compliance and the VAT Refunds Units. Customs will be incorporated in the second year. Also in year two, the CSMS case management capabilities will be extended through all stages of the audit process, including taxpayer hearings, administrative appeals, and judicial appeals.

FIGURE 3: The ‘new’ CSMS Audit and Controls Flow Chain



The new case management component will provide a service architecture model that integrates the entire revenue system. The new system will allow the efficient management of files and investigations by eliminating the current overlapping control functions from the areas of Fiscal

Compliance and VAT Refunds and integrating audit efforts into an efficient, coordinated task. The improved system will also integrate the post-clearance customs control function contributing to the goals of the new Vice-ministry of Revenues.

Restructuring the Large Taxpayer Unit

The MOF is presently changing the strategy to address the large taxpayers control function, considering reducing the number of large taxpayers from currently around 3,000 to about 600, in order to focalize the efforts on those taxpayers that contribute seventy percent to total tax collection. They have requested FPEMP support to create the re-structure the Large Taxpayers Unit. The LTP office will be relocated and restructured to include a front and back office, thus becoming a “one-stop-shop” office in the provision of large taxpayer services. The project will provide technical assistance, equipment, training, hardware, and software and will develop a call center. Special attention will be provided to the strengthening of the Transfer Pricing Unit that was created during USAID/TPAR assistance.

Income Tax and VAT audit techniques training

The audit function must be strengthened. The CSMS implementation must solve the problems of lack of process standards, procedures and audit techniques, which have had a negative impact on the audit performance over the last several years. Nevertheless, it is necessary to strengthen the expertise of the auditors by providing training on special techniques for auditing VAT, income tax, transfer pricing, and select industries.

Technical support to the drafting of future fiscal reforms

The project will provide expert support to the drafting of new fiscal reforms, in order to strengthen the tax system and making it more equitable and efficient. The project will advocate for a deep reform of the transfer pricing regulation following international standards. Additionally, FPEMP will provide support in the drafting of the necessary regulation to implement the Security tax (if enacted).

Procurement of Hardware and Software for the Component

The development of new systems or improving the capacities of the existing, require an appropriate assessment of the capacities in the hardware infrastructure on which they are operating. The FPEMP team will undertake needs assessments for computers, servers and other equipment. Additionally, the project will determine the software requirements to implement Component B's activities. FPEMP will recommend the equipment to be purchased and will manage the procurement process.

IV. COMPONENT C: Private Sector Outreach

Successful implementation of fiscal reforms and achievement of the GOES revenue goals, depends on the cooperation and compliance of El Salvador's private sector. The relationship between the government and the private sector regarding fiscal aspects has historically been conflictive and complex. There is a critical need to improve the public-private dialogue that provides a mechanism for fostering greater compliance and increasing tax revenues. This would also improve the prospects of forging a fiscal pact to advance common goals, objectives and shared commitments to better spending, greater compliance, and improved living conditions for all Salvadorans.

This year, when the MOF delivered a presentation on the fiscal update and progress toward results, the GOES invited all interested citizens and the private sector to attend, but only few attended the conference. Our challenge will be to develop a strong strategy to help the MOF strengthen private sector and civil society participation in the country's fiscal matters.

Bridging differences and building consensus through outreach and dialogue is FPEMP's task. FPEMP will help reinvigorate the dialogue between the government, the private sector, and the broader public through sustained, vibrant public-private exchanges. Some of these communication strategies involve stakeholder surveys, focus groups, experts groups, forums, and strengthened taxpayer assistance and outreach.

COMPONENT OBJECTIVES

Long-term objectives under Component C include:

- Enhanced communication mechanisms between GOES and non-governmental sector
- Assist the private sector to better understand and comply with newly enacted fiscal reforms
- Support the implementation of a fiscal pact
- Support the development of public sector and civil society partnership programs to monitor public expenditures

Component Results

To achieve these long-term objectives, FPEMP Component B aims at obtaining the following results by the end of year one:

- **Develop a public-private dialogue plan**
Measurement: Develop a strategic plan to facilitate the GOES outreach to the private sector to address fiscal matter. This plan will set the basis of communication mechanisms leading to a fiscal pact.
- **Effective dissemination of the fiscal reform**
Measurement: Develop a plan to institutionalize efficient dissemination of current and future fiscal reforms.
- **Better understanding of the private sector**
Measurement: Develop a survey aimed at analyzing key private sector actors to better understand the most disputed and misunderstood elements of the fiscal reforms.

- **Strengthen taxpayer assistance and outreach**
Measurement: Develop a plan for the implementation of a centralized MOF call center, helping the government to improve services provided to taxpayers, customs agents, providers and citizens in general.

SUMMARY OF MILESTONES

The following table presents the various milestones that are planned over the first year work plan period.

Table 5. Component C, Private Sector Outreach: Milestones

Component C Milestones	Q1	Q2	Q3	Q4
Go' or 'No-go' MOF decision on a fiscal pact				
Stakeholder survey's questionnaire developed				
MOF institutional call center plan fully developed				
Strategy for fiscal reforms dissemination to the private sector to better understand the law				

SCHEDULE OF ACTIVITIES

Table 6 provides a list of specific tasks for each area of assistance planned for Component C during year one. The following table is followed by a summary discussion of year one activities.

Table 6. Component C, Private Sector Outreach: Schedule of Activities

Work Area	Q1	Q2	Q3	Q4
MOF decision on the feasibility to implement a fiscal pact				
Feasibility assessment				
Dissemination and sensitizing of the strategy with the MOF viceministers				
Targeted outreach plan				
Assessment and development of the GOES- private sector engagement plan				
Dissemination and sensitizing of the plan with the MOF viceministers				
Effective implementation of the Fiscal Reforms of 2009 and 2011				
Development of the plan for the institutional fiscal reforms dissemination program				
Technical support for the plan implementation				
Fiscal reforms dissemination implementation				
Development of a plan for an MOF institutional call center				
Evaluation of the portfolio of services to be provided by the MOF call center				
Determine the technology to be used				
Determine the model and standards				
Develop the plan				
Stakeholder's survey and analysis				
Survey methodology and questionnaires development				
Implementation of the Survey				

Discussion of Technical Assistance Areas

The Salvadoran political, social, and economic landscape is complex, with varying views both within and between the public and private sectors. Within the GOES there are differences among political and technocratic actors toward the role of the private sector and non-governmental actors in fiscal affairs—some advocating active engagement, other favoring a more government-directed approach. In the non-public sector arena, key actors in the private sector share a common interest, but differ on how best to achieve it.

FPEMP will be driven by the objective to bridge differences and consensus building through outreach and dialogue mechanisms. Main activities during year one will involve consensus-building on the decision to move towards a fiscal pact, targeted outreach and training on the fiscal reforms, better understanding the private sector's views, and mechanisms to strengthen taxpayer assistance and outreach.

Facilitating dialogue on a Fiscal Pact

The fiscal pact experience in Latin America has demonstrated that, when well designed, these mechanisms can have a positive impact in bolstering civil society engagement and tax revenue collections. The GOES has discussed in several occasions the possibility of building a fiscal pact with the private sector and civil society, but no political decisions or strategy has been defined on that regard. The FPEM team will assess the feasibility of moving towards a fiscal pact through discussions with key MOF and GOES counterparts, including a review of the experience in other countries such as Peru and Colombia. The goal for the year is to obtain a 'go' or no-go' decision from GOES on moving towards a fiscal pact, particularly because the current government has less than 3 years to move forward with a fiscal pact.

GOES-Private Sector Engagement Plan

Despite all the efforts from GOES for private sector engagement, no major progress has been achieved. It is necessary to develop a strategy following successful international experiences, to help the GOES build a strong alliance with the private sector. During the first year, the project will develop an outreach strategy plan in conjunction with the MOF.

Plan for the development of a fiscal reform Implementation system

The project will continue providing strong support in the implementation and dissemination of the 2009 fiscal reform and (if enacted) the implementation of the Security Tax. The project will work closely with the Office of Fiscal Education to develop a well-structured strategy and program to institutionalize the dissemination and implementation of fiscal reforms including electronic videos to be posted in the MOF website, advertising, workshops, and videoconference among others.

Development of a plan for the establishment of an MOF institutional call center

In order to strengthen the MOF's outreach with the private sector and citizens, it is necessary to improve the quality and effectiveness of taxpayer services. In previous discussions with the MOF, executive officials had expressed their interest in establishing an institutional call center that integrates all the client services that the ministry provides (i.e., taxes, customs, procurement, public expenditure, etc). FPEMP will provide support in the design and implementation of such call center. It is necessary to determine the portfolio of services, technology to be used, hardware and software requirements, facilities, training programs and staffing plan.

Stakeholder's survey

Working with partners such as FUSADES and FUNDE, the project will conduct a survey of businesses to identify the most disputed or misunderstood elements of the fiscal reforms of 2009 and future reforms. Results will help clarify stakeholder positions and help target outreach efforts.

V. PERFORMANCE MONITORING & EVALUATION

The objective of the FPEMP monitoring plans is to monitor project activities, track progress against results, and evaluate the impact that is has accomplished. FPEMP's monitoring and evaluation (M&E) plan includes collection and analysis of program specific information and indicators. A project like FPEMP requires constant evaluation and monitoring in order to ensure that the necessary adjustments and corrections are made on a timely basis. As such, FPEMP will have an M&E specialist on staff whose responsibility is to constantly collect performance data that FPEMP staff can use to determine progress in achieving its objectives, milestones, results, and impact.

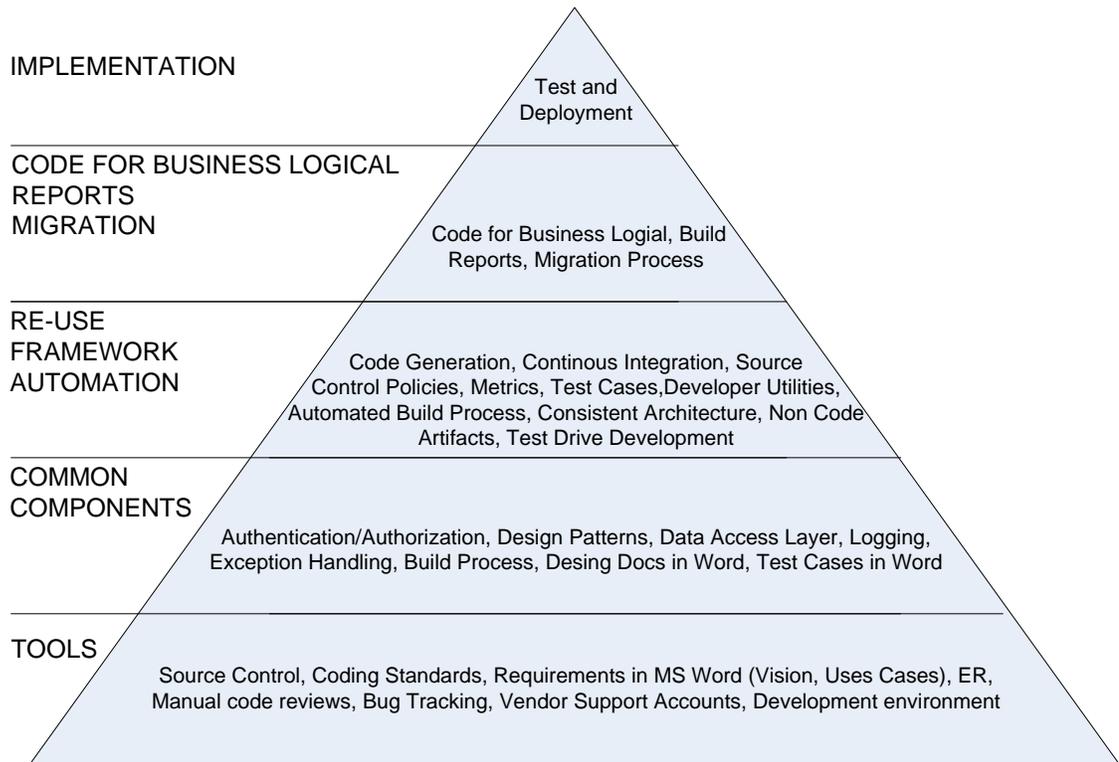
Additionally, FPEMP's Chief of Party, USAID, Vice-ministry of Revenue, and Vice-ministry of Expenditure will create a technical committee. This committee will attend meetings to evaluate immediate issues and future plans. The COP will maintain a weekly check-in meeting with the COTR, in order to maintain the flow of information on the project's progress. All monitoring will be carried out according to the required deliverables and the benchmarks of the project.

Additionally, FPEMP will conduct annual Results Reports that will present yearly progress towards achieving the project's expected targets, objectives, and impact.

ANNEX 1. SOFTWARE FACTORY

As part of the technological strategy to achieve quality and efficiency in the time and use of resources, constructing new software will require the use of the ‘software factory’ mechanism. This mechanism provides the automatic generation of visual components, use and implementation of protocols and procedures for communication between the factory and the client. It will allow the definition of a framework for software development, in which good practices and international standard of software development are immersed. Figure A-1 illustrates the roadmap to follow to develop a software factory. Each stage, starting from the bottom, represents the tasks in the development process starting from the creation of the necessary tools and ending in implementation.

Figure A-1: The Software Factory Approach



The software factory approach will allow better controls during the implementation stage. Nevertheless, this approach requires meeting certain pre-conditions that must be fulfilled in order for it work as expected, including strong coordination between the FPEMP IT team and government IT counterparts.