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# Fiscal Policy and Expenditure Management Program (FPEMP)

**Second Year Annual Work Plan**  
2012 - 2013

June 2012

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# **FISCAL POLICY AND EXPENDITURE MANAGEMENT PROGRAM (FPEMP)**

## **SECOND YEAR ANNUAL WORK PLAN 2012 - 2013**

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## ACRONYMS

AECID	Spanish International Cooperation
BCR	Central Bank
CAPRES	Presidential House
CAPTAC-DR	Regional Center of Technical Assistance for Central America, Panama and Dominican Republic
COP	FP EMP Chief of Party
COTS	Commercial Off-the-Shelf
CP	Critical Path
CSMS	Case Selection Management System
DAI	Development Alternatives Incorporated
DCGC	General Directorate for Government Accounting
DECAMH	MOF Training Department
DGICP	General Directorate for Public Investment and Credit
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
GDP	Gross Domestic Product
GIZ	German International Cooperation
GOES	Government of El Salvador
GRP	Government Resource Planning
ICPP	International Center for Public Policy
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IRM	Information Resource Management
ISP	International Studies Program
IT	Information Technology

IVP	International Visitor Program
LAC	Latin America and the Caribbean
LTO	Large Taxpayer Office
M&E	Monitoring and Evaluation
MOF	Ministry of Finance
MTEF	Medium Term Expenditure Framework
NGO	Non-Governmental Organizations
NIT	Tax Identification Number
OTA	Office of Technical Assistance of the United States Treasury
ROB	Result-Oriented Budget
SAFI	National Financial Management System
SIIT	Tax Information Integrated System
TCA	Taxpayer Current Account
TPAR	Tax Policy & Administration Reform
TRS	Taxpayer Registry System
TSA	Treasury Single Account
UNAC	Procurement and Contracting Regulations Unit
US	Unites States
USAID	United States Agency for International Development
VAT	Value Added Tax
WB	World Bank

## **I. INTRODUCTION AND BACKGROUND**

This report presents the second annual work plan for the United States Agency for International Cooperation (USAID) funded Fiscal Policy and Expenditure Management Program (FPMP). It covers the period from June 10, 2012 through June 9, 2013. FPMP began effectively on June 10, 2011, when USAID and Development Alternatives Incorporated (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.

The second year work plan continues with the activities agreed and started with the Ministry of Finance (MOF) and other donors during the first year. The first year was a very challenging year because it required the program team to build strong foundations for the program activities, maintain continuity of ongoing technical support to the MOF, and ensure achievement and sustainability of the program goals and objectives. More importantly, the first year required creating agreements and building strong relations with many donors that are also assisting the Salvadoran MOF in implementing fiscal reform.

Many of the tasks included in the contract between USAID and DAI were altered during the donor coordination process in the first year with some activities re-assigned to other donors and other activities added to our objectives by the MOF. As such, some activities included in the first year work plan were not implemented. A more detailed explanation of these changes will be included in the following chapters. As such, this second year work plan defines in detail how DAI has organized its work to implement FPMP 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 to be developed.

There are four sections to this report. The first section describes FPMP, including its goals, objectives and a summary of the main activities. Sections two through four present each component's first year results and then the objectives, results, milestones and activities expected for the second year of the program. The last section reviews the monitoring and evaluation plan presenting a summary approach for monitoring program activities, tracking progress toward results, and evaluating impact.

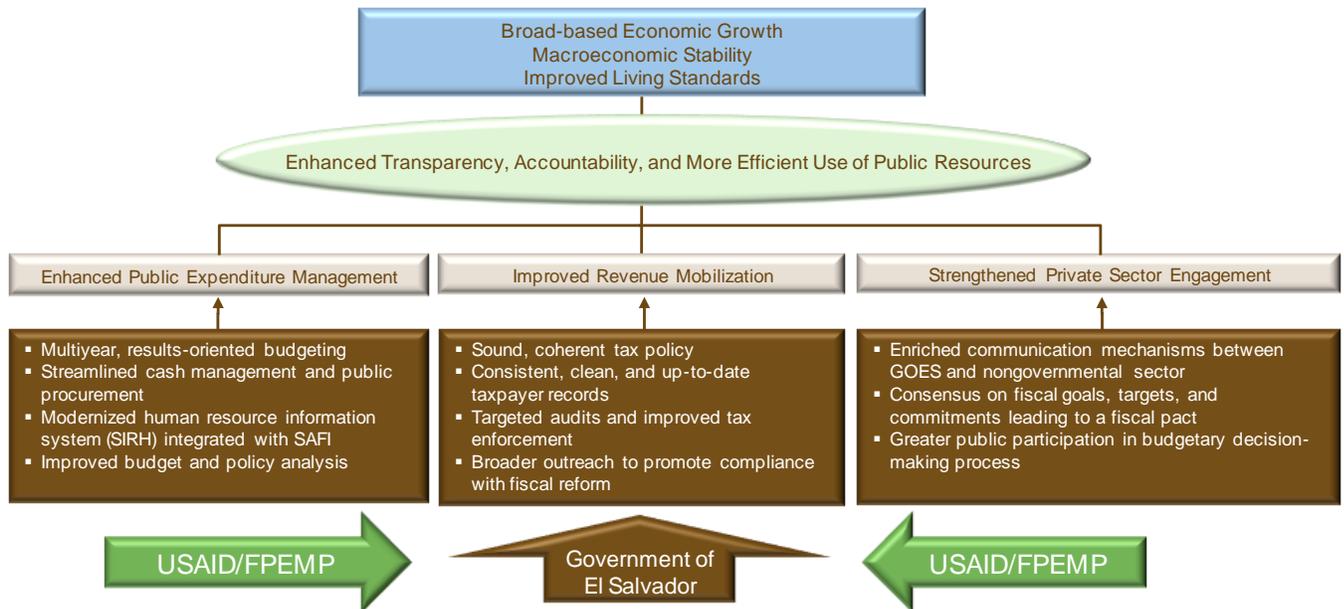
### **PROGRAM GOALS AND OBJECTIVES**

The Government of El Salvador (GOES) 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. USAID and FPMP will be a prime contributor to achieving these objectives.

FPMP is fundamentally about helping GOES transform fiscal policy and public expenditure management to forge a more efficient, effective and transparent government – laying the foundations for economic stability and growth. FPMP 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/FPMP will provide technical assistance to the GOES in order 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 has three explicit objectives and comprises three components. The objectives of the program are:

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

These three objectives translate into three component work areas:

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

The activities included in the second year work plan reflect the coordination efforts developed during the first year with the MOF and the donor community. During the first year, the program achieved progress in several areas, but others activities were delayed or changed due to the changes made by the MOF. During the second year, FPMP will continue moving forward with the tasks that began successfully the first year and will start developing other activities in

coordination with the European Union International Cooperation (EU) and the German International Cooperation (GIZ) technical assistance programs.

On the expenditure side, **Component A**, FPMP will continue providing support in the development of the Conceptual Model for the National Financial Management Information System (SAFI) II, particularly in the development of the treasury, budget, and accounting applications. Additionally, FPMP will provide necessary technical assistance to the MOF in the evaluation of the Government Resource Planning (GRP) Commercial off-the-shelf (COTS) solutions.

The program will assist with the adoption of the International Public Sector Accounting Standards (IPSAS) for El Salvador by providing training and technical support to the General Directorate for Government Accounting (DGCG). Additionally, FPMP will provide Information Technology (IT) equipment to strengthen the DGCG.

FPMP will support the Treasury Single Account (TSA) implementation task by providing technical consultants to help the Treasury General Directorate (DGT) in the drafting of a Critical Path (CP) for the TSA implementation, and providing training and support for the new model. This task will be achieved in coordination with the Office of Technical Assistance of the United States Treasury (OTA) who will be supporting the cash management component.

In coordination with the GIZ program, FPMP will support the Budget General Directorate (DGP) in the implementation of the Medium Term Expenditure Framework (MTEF), the programmatic budget, and other necessary activities, to prepare the 24 government entities, to successfully implement a Result-Oriented Budget (ROB) system during the following years.

On the revenue side, **Component B**, FPMP will continue with the Taxpayer Current Account (TCA) and the Taxpayer Registration System (TRS) cleaning, and the reforms of TCA IT application in order to avoid future pollution of the system. The Minister and the Vice Minister of Finance have constantly remarked that these two activities are critical and fundamental. A reliable TRS and TCA will help the MOF to provide better services to taxpayers. FPMP is also assisting the MOF to increase voluntary compliance with enforcing the tax law as well as helping the MOF to improve audit techniques, strengthen tax enforcement, foster tax compliance, and cultivate an appetite and demand for tax policy analysis and reform.

The FPMP will continue providing coordination and technical support to the Large Taxpayer Office (LTO) by providing training on tax audit, transfer pricing techniques and providing software and equipment, which will all contribute to more rigorous tax control and a significant increase in tax collection.

In order to integrate all tax administration control and appeals process in a pipeline system, FPMP will continue to help improve the Case Selection Management System (CSMS) during the second year, to foster productivity, transparency and equity in the application of tax laws.

All these activities on component B should result in a significant increase in tax collections and a more transparent tax system, which are key components of the goal Number 4 of the United States Partnership for Growth.

On the private sector outreach and fiscal transparency side, **Component C**, FPEMP will support the GOES in the development of a Fiscal Transparency Policy, the modernization of the MOF Fiscal Transparency Portal, the reforms of the MOF Training Department (DECAMH), and the development of the EXPRESATE (initiative in support of fiscal reform dissemination and fiscal transparency). These activities will help the MOF to promote fiscal reforms dissemination, transparency, as well as support the civil society outreach. In addition, FPEMP will continue with its efforts to reinvigorate dialogue between the government, private sector, and broader public in order to promote transparency, accountability and shared commitments to smarter spending, increased compliance, and improved living conditions for all Salvadorans.

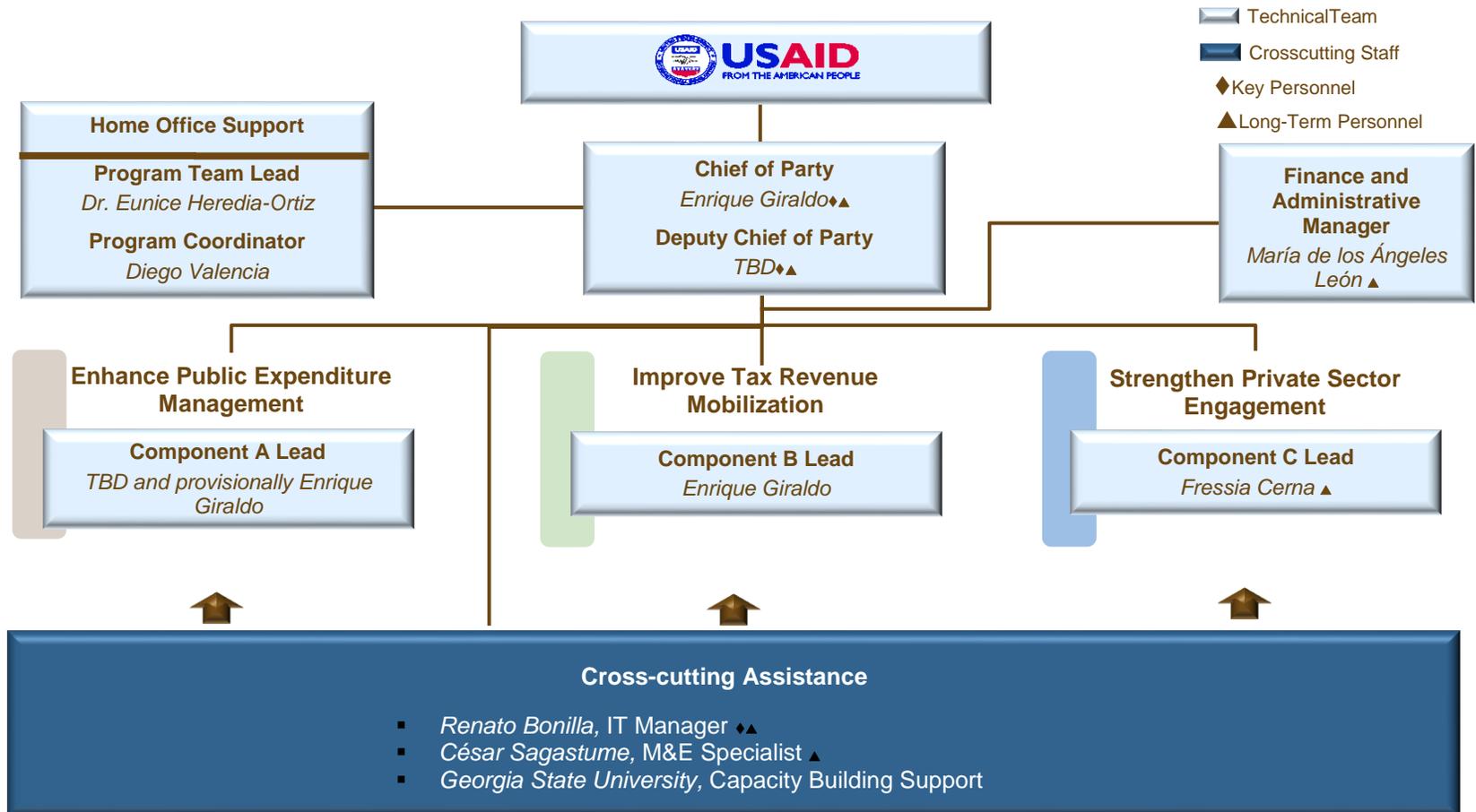
Both, the commitment from the MOF executive staff and strong donor coordination during the first year, will play a very important role in the successful implementation of FPEMP's second year activities.

## MANAGEMENT AND ADMINISTRATION

FPEMP is led by the Chief of Party (COP) and supported by component leaders and specialists. FPEMP has a main program office located on the sixth floor, Tower 3 of the MOF's General Directorate for Internal Revenue (DGII) building. Since the Deputy Chief of Party left the program at the end of the first year, DAI has been fully committed to find a replacement that will join the program by June 2012. In the meantime, the COP has successfully assumed leadership of Component A. Figure 2 presents the current FPEMP management and team structure. The following persons comprise FPEMP management team, as of this date:

- Chief of Party and Component B Lead (Tax Revenue Mobilization): Mr. Enrique Giraldo
- Component C Lead (Private Sector Outreach), Ms. Fressia Cerna
- IT Manager (Cross-cutting Assistance): Mr. Renato Bonilla
- Finance and Administrative Manager: Ms. Marielos Leon
- Monitoring and Evaluation (M&E) Specialist, Mr. César Sagastume

**FIGURE 2: FPEMP ORGANIZATIONAL CHART**



## **PARTNERS**

DAI has partnered with Georgia State University's International Center for Public Policy (ICPP) – previously the International Studies Program – to help implement FPMP. ICPP has provided technical expertise throughout the Latin America and the Caribbean (LAC) region for USAID, World Bank (WB), United Nations Development Program, and others. Since ICPP's inception in 1996, its faculty experts have participated in hundreds of academic partnerships, consultancies, and training projects globally. Georgia State University's ICPP'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. ICPP will be a prime contributor to capacity building and training programs in El Salvador and in the United States.

## **INTERNATIONAL DONOR COORDINATION**

The MOF is currently receiving additional technical assistance from the EU, GIZ, Spanish International Cooperation (AECID), WB, Inter-American Development Bank (IDB), and the International Monetary Fund (IMF) imposing a very challenging coordination task. The program staff has worked closely with the MOF and other donors to coordinate efforts, develop a donor matrix, and design a well-structured work plan. As of this day, FPMP activities have been closely coordinated with the MOF counterparts and the EU and GIZ technical assistance programs.

During this year, FPMP will be engaged 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

The FPEMP went through a challenging task of donor coordination and redefinition of the activities to be implemented within the MOF. Given the presence of several donors supporting the Salvadoran MOF in the area of public expenditure management reform, including the EU, GIZ, AECID, IDB, WB and IMF, the MOF was forced to reassign tasks across the different donors in order to avoid duplication.

FPEMP took a lead role in the donor coordination effort. The COP took the initiative to develop a preliminary matrix of activities that incorporated inputs from the EU and GIZ teams. This matrix was then submitted to the MOF for consideration. The National Directorate for Financial Administration (DINAFI) – the GOES entity leading the donor coordination – used this matrix as the basis to allocate the task assignments. On January 18<sup>th</sup> 2012, the MOF delivered a seminar where all the activities were notified to the donor community. These reassignments affected the ownership of task assistance. As a result, some tasks previously assigned to FPEMP under the USAID contract were assigned to other donors, and some new tasks were assigned to FPEMP.

Some activities of Component A were assigned to other donors, specifically activities related to:

1. Strengthening of the regulatory unit of procurement and development of e-procurement (IDB)
2. Modernization of the Human Resources System and its integration with SAFI (WB)
3. Modernization of the Public Investment System (EU)
4. Procurement of the new SAFI system, which will be a COTS GRP (WB)
5. Modernization of the Public Debt Management System (OTA and EU)

Note: FPEMP will have marginal contributions to the tasks reassigned, including the development of the use cases for the Public Investment System and Public Debt Management System for SAFI II.

At the same time, the newly assigned activities to FPEMP include:

1. Support the MOF in the migration from SAFI to SAFI II
2. Introduce and promote implementation of IPSAS
3. Provide technical support in the strengthening of the LTO areas of income tax and transfer pricing audit techniques.
4. Development of the Fiscal Transparency Policy with the MOF and GOES

In the midst of developing the donor assistance's matrix, FPEMP completed a Conceptual Model for the modernization of the Salvadoran Public Finance Management System, satisfactorily endorsed by the MOF's executive staff and distributed to the donor community and USAID.

Moving forward with the donor's matrix tasks, FPEMP developed a CP, which purpose is to guide the planning of activities related to budget modernization, TSA, Public Accounting System

adoption with IPSAS, SAFI II project development and municipal SAFI development. The CP was submitted to DINAFI and the MOF Directorates for discussion.

## 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 DGT to program and manage government funds
- A modernized, integrated SAFI, which enables consistent budget formulation, execution, and M&E processes across all spending agencies.
- Harmonized government accounting system

## FIRST YEAR COMPONENT A RESULTS

Activities completed during the program's first year for Component A are summarized in the table below, with brief details following:

**Table 1 – Component A First Year Results**

Component A Activities	Target				Achieved
	Q1	Q2	Q3	Q4	
1. Established institutional relationships with USAID, DGII, DGP, DGT, General Directorate for Public Investment and Credit (DGICP), DGCG, General Directorate for Fiscal and Economic Policy (DGPEF), DINAFI, Procurement and Contracting Regulations Unit (UNAC)					Q1/2011
2. Alignment of the DGT toward the TSA implementation plan					Q1/2011
3. Development of a strategy for software implementation					Q2/2011
4. Development of the donors cooperation matrix					Q2/2011
5. Donor coordination seminar					Q3/2011
6. Definition of a Conceptual Model of the new GOES Public Finance System					Q3/2012
7. Development of the public expenditure modernization program CP					Q3/2012
8. Study tour to the MOF of Colombia on the GRP's development and implementation strategy experience					Q4/2012
9. Assessment and business process analysis for the Public Investment System, the Public Debt System, and the Public Assets System for SAFI II					Q4/2012
10. IT assessment for Component A					Q4/2012
11. Chart of accounts and DGCG assessment					Q4/2012
12. IPSAS training for Directors					Q4/2012

- 1. Established institutional relationships with USAID, DGII, DGP, DGT, DGICP, DGCG, DGPEF, DINAFI, UNAC** – The FPEMP team held several meetings with GOES counterparts involved in the efforts to modernize public expenditure, including the DGP,

DINAFI, DGT, DGICP, and DGPEF. After several rounds of meetings, the FPEMP and the MOF agencies reached an agreement on the public expenditure management modernization plan.

2. **Alignment of the DGT toward the TSA implementation plan** – The FPEMP team worked closely with the DGT to discuss and formulate an adequate plan for implementing the TSA. The IMF agreed to develop the TSA implementation work plan and FPEMP will provide follow up technical assistance according to recommendations presented in the implementation plan while also assisting with the development of the TSA component at the SAFI II.
3. **Development of a strategy for software implementation** – FPEMP will implement a strategy of software development using local capacity in El Salvador with a software factory modality. The strategy has been discussed with the MOF and the USAID mission and it has been accepted by all parts. FPEMP will assign project managers by IT application, the program IT will develop the business rules, and the MOF IT staff will be part of the entire process and more particularly in the task of producing report tables.
4. **Development of the donor cooperation matrix** – FPEMP took a lead role in the donor coordination effort as the COP led the development of a preliminary matrix of activities that incorporated inputs from the EU and the GIZ teams. This matrix was then submitted to the MOF for consideration. DINAFI used this matrix as the basis to allocate the task assignments.
5. **Donor coordination Seminar** – On January 18, 2012, the MOF delivered a seminar where all the activities were notified to the donor community. The result of this seminar was the announcement of reassignment of activities that affected the schedule of some tasks originally assigned to FPEMP and some activities assigned in the USAID contract were assigned to other donors. FPEMP immediately adapted to these new assignments and began working with counterparts and other donors on these tasks.
6. **Definition of a Conceptual Model of the new GOES Public Finance Management System** – FPEMP completed the development of the Conceptual Model document for the GOES Public Finance Management System. This document includes an assessment of the budget, investment, public accounting, treasury and transparency structure, and provides options and recommendations for the development of a new public finance model for the GOES. Additionally, the document includes recommendations for the development of the new SAFI II model. FPEMP submitted the document to the Vice Minister of Revenue, Vice Minister of Expenditure, Directors of Budget, Treasury, Investment, Accounting, DINAFI, and the donor community including EU, AECID and GIZ, the multilateral organizations including IMF, WB and IDB, and to the USAID Mission who submitted it to the Minister of Finance and the Technical Secretary of the Presidency.
7. **Development of the public expenditure management program CP** – Following the CP methodology, the FPEMP team developed the scheduling for a set of activities under

Component A. This CP was then validated with other donors and DINAFI. In addition, the path was presented to the Vice Minister of Revenue and other Directors of the MOF.

- 8. Study tour to the MOF of Colombia on the GRP's development and implementation strategy experience** – In support of FPEMP's assistance in development and implementation of the SAFI II under a GRP system framework, the program coordinated a study tour to the Colombian MOF in order to learn from the Colombian experience in the implementation of a system that is similar to the one to be developed in El Salvador. The study tour took place during March 2012 and the attending group included the DGP General Director, the DGT Deputy Director, the acting Deputy Directress of DINAFI, the Chief of the MOF IT Programming Department, the COP and FPEMP IT Manager.
- 9. Assessment and business process analysis for the Public Investment System, the Public Debt System, and the Public Assets System for SAFI II** – FPEMP developed the first modules assessment of the current Public Investment System, the Public Debt System and the Public Assets System and the lifting of processes for the three systems. The EU program will continue with the task of hiring a consultant that will develop the macro processes and the basic functionalities of the new modules for the three systems.
- 10. IT assessment for Component A** – FPEMP seeks to strengthen and improve the IT capacities of the beneficiary Directorates. The IT assessment process, the scopes of work, and the activities coordination and agreements were possible because the MOF appointed a team headed by DINAFI authorities to assist in the development of the document. The hardware and software assessment of DGP, DGT and DGCG was completed.
- 11. Chart of accounts and DGCG assessment** – FPEMP conducted an analysis of the GOES chart of accounts, evaluated the accounting modernization plan framework and the IPSAS adoption program. The DGCG insisted in the harmonization strategy, nevertheless, FPEMP insisted in the inconvenience of the harmonization due to the international experience (most of the cases unsuccessful) and instead recommended the ADOPTION strategy. The MOF is considering FPEMP recommendations. Additionally, FPEMP discussed with DGP and GIZ the need of developing the programmatic schedule and the new charts of accounts in coordination, as both systems will be linked. All parties granted the proposal.
- 12. IPSAS training for Directors** – Training on IPSAS international experience was delivered by FPEMP to the Directors and Deputy Directors of DGP, DGCG, DGT, DINAFI and DGICP.

## **MILESTONES PLANNED FOR THE FIRST YEAR AND NOT ACCOMPLISHED**

**Training courses to DGP, DGICP and DGPFE on cost-benefit analysis and project appraisal** – The MOF postponed the task of budget and accounting system modernization for the second year. The main reason is that it is necessary to first implement the new programmatic budget schedule and the IPSAS in order to develop a cost-benefit system.

**Support the creation of a time-series macro and fiscal database to be used by DGPEF, DGP, DGII and DGICP** – The task was assigned to the EU under the donor coordination matrix.

**Development of the logical framework approach for ROB in Health and Agriculture sectors** – As agreed with the MOF during the first year, the ROB will be implemented during the 3<sup>rd</sup> year of FPMP, due to the fact that the MOF has not met the necessary conditions to implement the ROB system. It is necessary first to move the current budget system to a programmatic budget and implement the MTEF, both of which will be implemented during the FPMP second and third year.

**Training courses on ROB to 35 officials of the DGP, the Ministry of Agriculture and Ministry of Health** – As explained before, this task has been postponed until the third year.

**First module of the SAFI’s budget formulation under ROB** – The MOF made the decision to purchase a GRP COTS system instead of a customized system. The WB is now leading this task. However, FPMP is supporting the SAFI II Conceptual Model developments and will support the GRP COTS system evaluation.

**Development of first IT applications for e-procurement** – According to the donor coordination matrix, the task to develop the new e-procurement applications was assigned to the IDB.

## SUMMARY OF MILESTONES FOR YEAR TWO

The following table presents the various milestones that are planned for Component A for the second year work plan period:

**Table 2 – Component A Milestones**

Component A Milestones	Q1	Q2	Q3	Q4
Approval of the CP for the budget modernization program from the DGP				
Training courses to GOES entities on MTEF methodology				
Development of the new budget schedule for GOES entities (as determined by the MOF)				
Assessment document for DGCG harmonization plan				
Training sessions about IPSAS for DGCG				
Development of the Treasury Conceptual Model for SAFI II				
Approval of TSA implementation plan document				
Training courses on TSA systems				
IT procurement plan				

## DESCRIPTION OF ACTIVITIES FOR YEAR TWO

Table 3 provides a list of specific tasks for each area of assistance planned for Component A during year two. The following table is followed by a summary discussion of year two activities.

**Table 3 – Component A Schedule of Activities**

Activities by Work Area	Q1	Q2	Q3	Q4
<b>1. GOES Budget System Modernization</b>				
Discussion and approval of the budget modernization program critical path				
Update the benchmarking of public expenditures				
Development of the administrative and functional modernization plan for the DGP				
Training on MTEF for GOES entities				
Study tour on ROB				
<b>2. IPSAS Implementation</b>				
Accounting conceptual framework evaluation and reform				
Chapter of accounts evaluation and first draft development				
Training sessions about IPSAS for the DGCG				
Adoption of the chapter of accounts and the budget programmatic schedule				
Strategic plan for IPSAS adoption				
First phase implementation of the modernization plan for chart of accounts				
<b>3. TSA Implementation</b>				
Development of the TSA implementation document				
Payment System development for TSA (DGT-Central Bank (BCR))				
Training on TSA implementation strategies and cash management techniques				
Technical support and follow up in the TSA implementation				
<b>4. SAFI II Development Support</b>				
Development of the Treasury Conceptual Model for the SAFI II				
Technical support in the assessment of the GRP COTS solutions for the SAFI II				
<b>5. Hardware and Software Purchase</b>				
Hardware and software purchase plan				
Second year hardware and software procurement				

## DISCUSSION OF TECHNICAL ASSISTANCE AREAS

FPEMP will continue working on the tasks agreed with the MOF counterparts and the donor community. As explained before, some tasks in Component A were assigned to other donors, but most of the core activities remain under the program's scope. Some activities will be developed solely by FPEMP, but others will be implemented in coordination with EU, GIZ, AECID, WB

and IDB. Needless to say that the coordination efforts will continue being challenging, but so far the results of the joint work has been successful.

In the budget modernization component, it was agreed that GIZ will develop the methodologies for the MTEF, the programmatic budget system and ROB. Together, GIZ and FPMP will finalize the CP developed by FPMP in order to get a consolidated proposal to discuss with the DGP in order to set an agenda, milestones and commitments from the MOF.

On the accounting system, the MOF has developed a plan for the adoption task. FPMP will review the plan, make adjustments accordingly, and develop any necessary agreements with the DGCG. Once an agreement has been reached, a CP will be developed and settled with the MOF. During the year, the necessary technical support and training will be provided in order to move forward with the adoption process.

On the TSA implementation, the IMF and OTA already developed an assessment and recommendation document for the TSA and the financial management structure. It was agreed that the TSA payment portal will be integrated in the SAFI II and it will not be outside the system. The program will provide technical assistance for the CP development and agreements and will support the TSA implementation during year two. The process may take two years, so during the program second year, the foundations for the TSA implementation agenda will be created.

Regarding the new SAFI II, FPMP in coordination with the EU, GIZ and IDB, is developing the Conceptual Models of the different modules (budget, accounting, treasury, etc). The document presenting the Conceptual Model of the Public Finance Management System for El Salvador developed by FPMP is being used as a critical input. Once the macro process of the Conceptual Models are finished, the necessary evaluation of the COTS GRP products will be done by the MOF with the support of FPMP and the other donors. This assessment will be done in order to determine if a COTS GRP solution is suitable for the GOES or if the alternative is to develop an in-house system. The program will provide support along the way in the system implementation.

Due to the technological obsolescence and the MOF budget restrictions, it is necessary to provide the Directorates with new IT equipment, otherwise, the results will be diminish by the poor IT infrastructure. The program will work in the IT procurement plan in order to obtain the Information Resource Management (IRM) approval and proceed with procurement. The assignment of the IT equipment to the DGT, DGCG and DGP will be made based on the performance and achievements of the tasks agreed with the MOF directorates.

The following are FPMP tasks and activities to be carried out in the second year of operation. Complete details of all tasks will be fully developed and included in specific scopes of work, in coordination with the MOF and USAID, when appropriate.

## **GOES Budget System Modernization**

Under the donor matrix, the reform of the budget system was assigned to FPMP and GIZ. It was agreed that GIZ, using the document developed by FPMP and the IMF guidelines, will develop the methodology for the MTEF, the development of the new programmatic budget schedule, the ROB methodology and the necessary training for the DGP staff. Simultaneously, FPMP will develop the administrative and functional modernization plan for the DGP, providing additional support with IT procurement.

Once the GIZ finishes the methodologies and the new budget schedule tasks, FPMP and GIZ will proceed with the implementation of the MTEF within the 24 government entities that comprise the 365 budget units of the GOES. The tasks will be divided between both programs. FPMP will support the implementation in 12 entities and GIZ in the remaining 12.

During the second year, the task of MTEF and the programmatic budget system implementation will take place. Additionally, both FPMP and GIZ will work to support the development of all the necessary statistics and information system for the ROB implementation that will begin during the third year.

When FPMP began operations, the first agreements with the MOF were to start with the ROB implementation, but the lack of adequate foundations within the current budget system, makes it an impossible task unless the necessary requirements are met. Therefore, the goals for the second year are completely focused on budget schedule modernization, MTEF implementation and DGP administrative reform. Nevertheless, the expenditure benchmarking system developed by FPMP will be updated in order to provide evidence of the advances or delays in the budget system modernization.

The activities for the second year are:

- Discussion and approval of the budget modernization program CP
- Update the benchmarking of public expenditures
- Development of the administrative and functional modernization plan for the DGP
- Training on MTEF for GOES entities
- Study tour on ROB

## **IPSAS Implementation**

The GOES public accounting system requires deep reform in order for the current accounting system to meet the IPSAS. Currently, the DGCG has developed a plan for the public accounting system harmonization. Nevertheless, the FPMP recommendation is the adoption strategy.

The program will support the task of IPSAS adoption 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. This work not only helps the modernization of the accounting system but provide adequate elements for fiscal transparency and accountability.

During the second year, FPMP will support the activity by providing training and technical support. FPMP Government Accounting Specialist consultant Carmen de Palladino, the former Republic of Argentina's Accounting Directorate Directress, will assist in this task.

The activities for the second year are:

- Accounting conceptual framework evaluation and reform
- Chapter of accounts evaluation and first draft development
- Training sessions about IPSAS for the DGCG
- Adoption of the chapter of accounts and the budget programmatic schedule
- Strategic plan for IPSAS adoption
- First phase implementation of the modernization plan for chart of accounts

### **TSA Implementation**

In the implementation of the TSA, FPMP will coordinate efforts with OTA and the Regional Center of Technical Assistance for Central America, Panama and Dominican Republic (CAPTAC-DR) program from the IMF. During the first year, the IMF and OTA made recommendations for the centralization of the payment system and cash management improvement.

During the second year, FPMP will discuss with the DGT the activities planned in the CP developed for the TSA implementation in order to gain approval from the DGT Director. The necessary technical support will be provided to strengthen the current capacities of the DGT and the transition from the current system to a TSA.

It is expected that the TSA implementation will take two years, so the second year will be critical to promote the necessary legal reforms, modernize the DGT and help the DGT to transition from the current 1,200 decentralized bank accounts to a centralized system of less than 10 bank accounts. It is important to remark, that during the first year FPMP in coordination with OTA and the IMF gained the commitment from the MOF and the treasurer in moving forward with this project.

The activities for the second year are:

- Development of the TSA implementation document
- Payment System development for TSA (DGT-BCR)
- Training on TSA implementation strategies and cash management techniques
- Technical support and follow up in the TSA implementation

### **SAFI II Development Support**

- Development of the Treasury Conceptual Model for the SAFI II
- Technical support in the assessment of the GRP COTS solutions for the SAFI II

### **Hardware and Software Purchase**

The implementation of the new public expenditure system requires the strengthening of current hardware and software capacities at the MOF, especially due to the critical obsolescence status and the financial constraints of the GOES.

During the first year, the FPEMP IT coordinator assessed the current MOF IT capacities and began the development of the IT procurement plan.

During the second year, the program will continue developing the IT procurement plan to obtain the approval from the IRM office and will then procure the IT equipment detailed in the assessment documents.

- Hardware and software purchase plan
- Second year hardware and software procurement

### III. COMPONENT B: Tax Revenue Mobilization

The second and third year of the program is critical on the revenue performance side, due to the complex fiscal scenario of the GOES that has not met the IMF stand-by conditions. 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.

Unlike Component A, Component B did not have significant changes in the tasks assigned to FPMP by the MOF, but an additional activity related to the LTO strengthening and reform was assigned to FPMP.

FPMP will continue providing support to the MOF on improving the voluntary compliance and enforced compliance. The strengthening of the LTO, the Transfer Pricing Unit and the creation of the Collection Call Center is critical to improve the tax collection goals. Additionally, the Electronic Kiosk System will support efforts to promote voluntary compliance.

The TCA and TRS will improve the services provided to the taxpayers and at the same time will support tax collection. The CSMS upgrade will help the MOF to improve tax control and will continue providing transparency and equity to the tax law application.

The present second year work plan is the result of meetings with the MOF counterparts, and the GIZ and EU technical assistance missions.

#### 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

Results for the program’s first year for Component B are summarized in the table below, and described in brief detail below:

**Table 4 – Component B First Year Results**

Component B Results	Target				Achieved
	Q1	Q2	Q3	Q4	
1. Workshop on requirements to develop use cases					Q1/2011
2. Prepare the technological environment to develop the following software initiatives: CSMS II, TCA and TRS					Q2/2011
3. Support the sustainability of the CSMS					Q2/2011
4. TCA and TRS use cases					Q2/2011

5. Donor coordination for Component B					Q2/2011
6. Defining the conceptual model for the new Large Taxpayer Office					Q3/2011
7. Tax benchmarking update					Q3/2011
8. Improvements to the Tax Information Integrated System (SIIT)					Q3/2012
9. Development of the revenue mobilization program CP					Q3/2012
10. It assessment for Component B					Q4/2012
11. Equipment procurement for Large Taxpayer front office and back office					Q4/2012
12. 60% cleaning of the MOF-defined sample from TRS					Q4/2012
13. 60% cleaning of the MOF-defined sample from TCA					Q4/2012
14. Study Tour to the Chilean Tax Administration to learn from the Chilean experience in the implementation of a Large Taxpayer Directorate					Q4/2012
15. Development of the Code Generator tool					Q4/2012
16. TCA improvements					Q4/2012
17. TRS improvements					Q4/2012

- 1. Workshop on requirements to develop use cases** – The program delivered several trainings to MOF Directorates on the methodology for use cases development. Seventy-two officials attended the training from all the MOF Directorates.
- 2. Prepare the technological environment to develop the following software initiatives: CSMS II, TCA and TRS** – The FPMP team requested the access and technology infrastructure necessary to begin the system development process. This includes the source code, database and servers. The program gained the access to start the development of the TCA and TRS use cases.
- 3. Support the sustainability of the CSMS** – The CSMS would be inoperable when the MOF switches its middleware software from ORACLE technology to JBOSS technology. CSMS is not freely portable in the new JBOSS technology. This was detected in an infrastructure review meeting and the program took all the necessary steps to guarantee the system’s sustainability. All of these efforts for CSMS II will be larger than the effort made for CSMS I. The program will develop the system with its new functionality and expects a stronger system to be deployed by the end of 2012.
- 4. TCA and TRS use cases** – The program was deeply involved in the development and review of the use cases. The program identified consultants to provide training related to system requirements and support. The program later received the TCA and TRS use cases and began the development in December 2011.
- 5. Donor coordination for Component B** – FPMP coordinated with the EU and GIZ to draft a matrix of common areas for intervention and activities. The matrix was submitted to DINAFI for incorporation into the MOF matrix of technical assistance.

- 6. Defining the Conceptual Model for the new LTO** – FPEMP assisted the DGII in the development of a Conceptual Model for the new LTO, which was completed and approved by the DGII Director. The FPEMP will assist in the LTO implementation.
- 7. Tax benchmarking update** – FPEMP, in conjunction with the MOF counterparts, developed the tax benchmarking study update and submitted it to USAID. This update has been incorporated to FPEMP’s monitoring and evaluation program.
- 8. Improvements to the SIIT** – The program realized many improvements to the SIIT in order to continue with the development of the TCA, TRS and CSMS.
- 9. Development of the revenue mobilization program CP** – The FPEMP team developed a CP of activities for Component B. This CP was then validated with other donors and DINAFI. In addition, the CP was presented to the Vice Minister of revenue and other Directors of the MOF who later agreed to the activities and milestones.
- 10. IT assessment for Component B** – FPEMP seeks to strengthen and improve the IT capacities of the beneficiary Directorate. The IT assessment process, the scopes of work, and the activities coordination and agreements were possible because the MOF appointed a team headed by DINAFI authorities to assist in the development of the document. The hardware and software assessments of DGII, the new LTO, the Electronic Kiosks and the Collections Call Center were completed.
- 11. Equipment procurement for Large Taxpayer front office and back office** – The creation of the Large Taxpayer front and back office required equipment procurement. This new area will deal with Large Taxpayer necessities. Because of this, FPEMP created the area where taxpayers will be executing all their transactions. In order to meet the taxpayer necessities, the officials needed to update their outdated equipment.
- 12. 60% cleaning of the MOF-defined sample from TRS.** During the first year, FPEMP worked in coordination of the DGII staff in the implementation of the preconditions necessary for the cleaning process, correcting all the factors that normally pollute the system. During October 2012, the manual cleaning will begin.
- 13. 60% cleaning of the MOF-defined sample from TCA.** During the first year, FPEMP worked in coordination of the DGII staff in the implementation of the preconditions necessary for the cleaning process, correcting all the factors that normally pollute the system. During October 2012, the manual cleaning will begin.
- 14. Study Tour to the Chilean Tax Administration to learn from the Chilean experience in the implementation of a Large Taxpayer Directorate.** During the fourth quarter, FPEMP developed a study tour to the “Servicio de Impuestos Internos” (Chilean Tax Administration) to learn from the Chilean experience in the implementation of the Large Taxpayers Directorate. The Large Taxpayers Director, the Chief of Fiscal Compliance and the Chief of Taxpayer Services attended the study tour. The team learned from the Chilean large

taxpayers services structure and strategy, the tax audit system, the IT audit programs, as well as transfer pricing techniques.

**15. Development of the Code Generator Tool** – In order to support the CSMS I migration to CSMS II, FPEMP developed the Code Generator tool. This new tool reads database infrastructure to generate and pull together functional operative software that manage 4 Create, Read, Update and Delete basic operations. Using this tool will help to continue with software developments, using business logic, procedures and special screens.

**16. TCA improvements** – From the 10 use cases handed in to FPEMP, 8 have been successfully developed by FPEMP IT consultants adding additional functionalities to the TCA application and 2 are still pending. Some of the use cases have left the road clear to begin the TCA cleaning and some have improve the web services to taxpayers. The following are the use cases status:

- a. Fast query about tax compliance status in web portal (without password). Status: Published in production
- b. Taxpayer solvency request (with password). Status: Published in production
- c. Automatic process to solvencies assignment. Status: Published in production
- d. Internal request enter. Status: Published in production
- e. Analysis supervision. Status: Published in production
- f. Selection criteria for physical solvency. Status: Published in production
- g. Request analysis. Status: Published in production
- h. Resolutions enter process definition. Status: Developed and ready for tests

**17. TRS improvements** – From the 12 use cases handed in to FPEMP, 7 have been successfully developed by FPEMP IT consultants and 5 are still pending. The following are the use cases status:

- a. Natural Person NIT inscription, changes in risk level. Status: Developed and ready for tests.
- b. Natural Person VAT inscription, changes in search criteria. Status: Developed and ready for tests.
- c. Natural Person NIT replacement, changes in search criteria. Status: Developed and ready for tests.
- d. Natural Person VAT replacement, changes in search criteria. Status: Developed and ready for tests.
- e. Corporate NIT and VAT replacement. Status: Developed and ready for tests.
- f. Natural Person NIT unregisters. Status: Developed and ready for tests
- g. Corporate NIT unregisters. Status: Developed and ready for tests

## **MILESTONES PLANNED FOR THE FIRST YEAR AND NOT ACCOMPLISHED**

**Upgraded case selection and case management capabilities of the Fiscal Compliance Unit** – The use cases have not yet been submitted by the DGII. This activity had to be rescheduled due to the migration of the current CSMS to Jboss. This activity is expected to begin during the second year.

**Value Added Tax (VAT) refunds unit case management system developed** – The VAT management system will work as an interphase of the CSMS. Due to the system migration, this activity was also postponed to the second year.

**VAT and Income Tax Training for Large Taxpayers** – The MOF and FPMP will be launching the new LTO during the month of August 2012. This means that the previously scheduled training on Income Tax Audit and Transfer pricing techniques had to be postponed to the second quarter of year two.

**Technical support to the drafting of future fiscal reform** – The donor coordination matrix developed by the MOF assigned this activity to AECID.

## SUMMARY OF MILESTONES FOR YEAR TWO

The following table presents the various milestones for Component B that are planned for the second year work plan period:

**Table 5 – Component B Milestones**

Component B Milestones	Q1	Q2	Q3	Q4
Complete Update of the TCA application				
Development of the CSMS new Case Selection System, Case Administration System, Fiscal Compliance control and Taxpayer Audits modules				
Launch of the Large Taxpayer front and Back Office				
Transfer Pricing Audit Techniques Training for LTO				
Income Tax Training for LTO				
Study tour on transfer pricing techniques				
Hardware and Software procurement plan				

## SCHEDULE OF ACTIVITIES FOR YEAR TWO

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

**Table 6 - Component B Schedule of Activities**

Activities by Work Area	Q1	Q2	Q3	Q4
<b>1. Reconciliation of the TCA</b>				
Update of the TCA application				
Follow up in the taxpayer registration procedures reforms				
Creation of the FPMP and the counterpart team				
Development of the TCA cleaning				
<b>2. Cleaning of the TRS</b>				

Update of the TRS application				
Creation of the FPEMP and the counterpart team				
Development of the TRS cleaning				
<b>3. CSMS Upgrade</b>				
Upgrade of the CSMS				
Development of the Case Administration Module				
Development of the Fiscal Compliance Module				
Upgrade of the Audit Module				
Development of the electronic files modules				
System testing				
<b>4. Tax Collection Call Center Implementation</b>				
Equipment procurement				
Establishment of the Tax Collection Call Center				
<b>5. LTO Implementation</b>				
Launch of the Large Taxpayer Front and Back Office				
Training on Transfer Pricing Audit Techniques				
Office equipment procurement				
Training on Income Tax audit techniques				
Study tour on transfer pricing				
<b>6. Hardware and Software Purchase</b>				
Hardware and software purchase plan				
Second year hardware and software procurement				

## DISCUSSION OF TECHNICAL ASSISTANCE AREAS

During the first year, the program made significant progress on component B tasks. The TRS and TCA cleaning process advanced forward, the LTO reform and strengthening plan was agreed with the DGII and the IMF, the tasks were developed as scheduled, and the CSMS upgrade strategy moved forward with the use cases and the code generator development.

The activities included in the second year work plan for improving tax revenue mobilization will continue with the work developed during the first year. During year two, the TRS and TCA cleaning will be finished, the reform and strengthening of the LTO will be accomplished, the Collection Call Center will be implemented, and the CSMS migration and upgrade will be achieved. 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 Component B tasks and activities to be implemented in the second year of operations. Complete details of all tasks will be fully developed and included in specific scopes of work, when appropriate.

### **Reconciliation of the TCA**

During the second year, FPEMP will continue with the TCA cleaning process. FPEMP will continue updating the TCA application and following up with required changes in the TCA procedures that will safeguard its integrity and sustainability.

For the manual cleaning process, the FPEMP TCA and TRS Specialist consultant Sandra Urazan, will be managing the project and will organize with the DGII counterpart, the team that will be working in the project. Once the team is in place, the development of the TCA manual cleaning process will begin. The program will purchase 20 computers for the team.

The activities for the second year are:

- Update of the TCA application
- Follow up in the taxpayer registration procedures reforms
- Creation of the FPEMP and the counterpart team
- Development of the TCA cleaning

### **Cleaning of the TRS**

During the second year, FPEMP will continue with the TRS cleaning process. FPEMP will continue updating the TRS application and following up with the changes to the TRS procedures.

For the manual cleaning process, the FPEMP TCA and TRS Specialist consultant Sandra Urazan, will be managing the project and will organize with the DGII counterpart, the team that will be working in the project. Once the team is in place, the development of the TRS manual cleaning process will begin. The program will purchase 20 computers for the team.

The activities for the second year are:

- Update of the TRS application
- Creation of the FPEMP and the counterpart team
- Development of the TRS cleaning

### **CSMS upgrade**

During the second year, the upgrade of the CSMS will begin. The program will develop the Case Administration Module, the Fiscal Compliance Module, and the Audit Module, as well as develop the taxpayers' electronic files and test the system.

The program will migrate and improve the CSMS, and in cooperation with the GIZ, will develop the risk management system for case selecting within the CSMS.

The activities for the second year are:

- Upgrade of the CSMS

- Development of the Case Administration Module
- Development of the Fiscal Compliance Module
- Upgrade of the Audit Module
- Development of the electronic files
- System testing

### **Tax Collection Call Center Implementation**

During the second year, FPEMP will develop the call center for enforced collection. The necessary equipment will be procured and the necessary training and follow up will be provided.

The activities for the second year are:

- Equipment procurement
- Establishment of the Tax Collection Call Center

### **LTO Implementation**

During the month of June, FPEMP in coordination with the MOF, will launch the new LTO. The Minister of Finance, the United States (US) Embassy Charge D'affaires, the Vice Minister of Finance, Vice Minister of Revenue, some MOF Directors and the private sector, among others, will attend the event.

FPEMP will procure the office equipment and the computers for the new LTO and the necessary software for audit and tax control. Additionally, training will be provided on Transfer Pricing Audit Techniques and on Income Tax Audit Techniques.

By the end of the year a study tour on transfer pricing will be developed.

The activities for the second year include:

- Launching of the Large Taxpayer Front and Back Office
- Training on Transfer Pricing Audit Techniques
- Procuring Office equipment
- Training on Income Tax audit techniques
- Study tour on transfer pricing

### **Electronic Kiosk System Implementation**

During the second year, FPEMP will procure the Electronic Kiosk System and will purchase the software. Taxpayer assistance kiosks will help the taxpayer to comply with the tax law and will support the MOF's taxpayer services duties. The program will procure seven kiosks, 4 for the Great San Salvador, 1 for the West Regional Office, 1 for the East Regional Office and 1 for the Queue Management for the MOF facilities.

## **IV. COMPONENT C: Private Sector Outreach**

During the first year, FPMP worked with the MOF to develop a strategy for adequate private sector outreach, and worked with the Undersecretary of Transparency of the Presidency and the EU technical assistance to develop the transparency policy strategic activities.

During the first year, and through strategic discussions with the counterparts, it is clear that the GOES will not move forward with a fiscal pact under the current government. Instead, FPMP will assist the GOES to launch public expenditure civil audits and implement a fiscal transparency policy.

FPMP supported the DGII in the first year with the dissemination of the 2011 fiscal reforms, continuing efforts initiated during the predecessor program Tax Policy & Administration Reform (TPAR). These efforts helped achieve DGII and FPMP's goal in this area in the first year.

During the month of April 2012, FPMP organized and developed a Fiscal Transparency Policy forum with the participation of the private sector, Non-Governmental Organizations (NGO), universities, civil society organizations, think tanks, government entities and the donor community. The forum was considered by the MOF and the presidency as critical and important to move forward in the effort of civil society outreach and for the effective implementation of a Fiscal Transparency Policy.

The EXPRESATE project plan – an initiative for fiscal reform dissemination and fiscal transparency – was approved. During the second year, FPMP will assist with implementing this project plan. The EXPRESATE initiative involves the creation of a facility that will provide both training to high school students and outreach to the public on fiscal matters. This initiative was presented to the private sector and civil society representatives during fiscal transparency forums organized by FPMP, and the MOF has placed top priority to this activity.

The task to develop a state of the art training system for the MOF began during the first year under the DECAMH modernization task, and efforts to continue enhancing their capacity to serve as a center of excellence with the GOES will continue during the second year.

FPMP will continue providing support to the MOF and the Assistance Secretary of the Presidency in the implementation of the Fiscal Transparency Policy. Additionally, it will support the modernization of and update to the MOF Fiscal transparency Portal, in order to provide more transparency to the GOES public expenditure system making the information accessible and understandable to the Salvadoran people.

The evaluation and update of the MOF Directorates technical areas profiles will begin. The Minister of Finance highlighted this task as critical and of high priority. Once this task is finished the curriculums for the entire MOF technical areas will be developed and implemented.

The second year is critical, as the necessary foundations for a successful fiscal transparency and private sector outreach must be established, especially because the current government has only two years left, the last year being the most critical.

## 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

## FIRST YEAR COMPONENT C RESULTS

Results from the program’s first year for Component C are summarized in the table below, and described in brief detail below:

**Table 7 – Component C First Year Results**

Component C Milestones	Target				Achieved
	Q1	Q2	Q3	Q4	
1. Plan for DECAMH strengthening					Q2/2011
2. Training on the methodology to elaborate training curricula for work positions					Q3/2011
3. Development of the EXPRESATE project					Q3/2012
4. Development of the transparency initiative CP					Q3/2012
5. Technical support for the effective implementation of Fiscal Reforms					Q3/2012
6. Fiscal Transparency Forum					Q4/2012
7. It assessment for Component C					Q4/2012
8. Reforms of the DECAMH					Q4/2011

- 1. Plan for DECAMH strengthening** – FPEMP reached an agreement with DGII, DINAFI, MOF Human Resources Department and DECAMH to transform DECAMH into a center of excellence for Public Finance Management. This should better equip the MOF to provide higher quality services that are more in line with the new public finance administration system. The FPEMP Capacity Building Specialist consultant, Lee Niederman, developed a DECAMH needs assessment and proposal on approaching institutional capacity strengthening.
- 2. Training on the methodology to elaborate training curricula for work positions** – An assessment of the methodology to elaborate training curricula for work positions was performed. In addition, the consultant trained part of the DECAMH and Human Resources

personnel on this methodology to provide guidance on what is needed and to improve what they already have in the institution. Thirteen MOF employees attended the training.

- 3. Development of the EXPRESATE project** – The DGII Fiscal Education Unit requested support to implement an educational project targeting high School students from 15 to 20 years of age. This project is aligned with the DGII’s Strategic Plan, and is complementary to other efforts that have been made in this regard, particularly linked to RECREHACIENDA, an educational project targeting school children’s from 7 to 14 years old. FPEMP supported the development of the EXPRESATE Conceptual Model in coordination with the DGII Fiscal Education Unit and a presentation was made for the Vice Minister of Revenue, who approved the initiative.
- 4. Development of the transparency initiative CP** – The FPEMP team developed a CP of activities for component C. Other donors and DINAFI endorsed this CP. In addition, the path was presented to the Vice Minister of revenue and other Directors of the MOF.
- 5. Technical support for the effective implementation of Fiscal Reforms** – In 2011, the GOES approved the new fiscal reforms. Some of these reforms were active in January 2012 and some will be active by January 2013. The MOF with FPEMP’s support delivered several trainings on the new fiscal reforms targeted to individual taxpayers and businesses. FPEMP supported the delivery of the training to 1,197 persons. From these, 83 individuals were MOF personnel and 1,114 persons were taxpayers.
- 6. Fiscal Transparency Forum** – During the month of April 2012, FPEMP organized and developed a Fiscal Transparency Policy forum with the participation of the private sector, NGO, universities, civil society organizations, think tanks, government entities and the donor community. The forum was consider by the MOF and the presidency as critical an important to move forward in the effort of civil society outreach and for the effective implementation of a Fiscal Transparency Policy.
- 7. IT assessment for Component C** – FPEMP seeks to strengthen and improve the IT capacities of the beneficiary Directorates. The IT assessment process, the scopes of work, and the activities coordination and agreements were possible because the MOF appointed a team headed by DINAFI authorities to assist in the development of the document. The hardware and software assessment for EXPRESATE, DECAMH and the Fiscal Education was completed.
- 8. Reform of the DECAMH** – In an effort to transform DECAMH into a center of excellence, FPEMP undertook the task of working together with the MOF in reforming the statutory functions and attributions of the DECAMH. During the month of May, the Vice Minister of Finance signed the resolution to reform the DECAMH and make it a center of excellence. Currently, FPEMP is helping the MOF to implement the project.

## MILESTONES PLANNED FOR THE FIRST YEAR AND NOT ACCOMPLISHED

**‘Go’ or ‘No-go’ MOF decision on a fiscal pact** – Due to the current lack of political will on this matter, the new strategy for FPEMP is to move forward with the fiscal transparency policy design and implementing the fiscal transparency policy. FPEMP continues to stand ready to support the initiative of a fiscal pact, if political will is granted.

**Stakeholder survey’s questionnaire developed** –The development of this survey was replaced by the fiscal transparency forum organized by FPEMP.

## SUMMARY OF MILESTONES FOR YEAR TWO

The following table presents the various milestones that are planned for the second year work plan period:

**Table 8 – Component C Milestones**

Component C Milestones	Q1	Q2	Q3	Q4
Fiscal Transparency Strategic Lines integrated in the GOES Transparency Policy				
Improvements to the Fiscal Transparency Portal by making it accessible and understandable to the common citizens and including the data of public debt, budget execution, tax evasion rate, fiscal compliance rate, among others.				
Launch of the EXPRESATE facilities				
MOF Institutional Call Center plan fully developed				
Reforms of the DECAMH functions				
Training on Course Development				
Training of Train the Trainers				
Evaluation and update of the MOF Directorates technical areas profiles				
Development of the MOF Directorates curriculums				
Procurement for the reformed DECAMH				
Institutionalization of the fiscal reforms dissemination programs				

## SCHEDULE OF ACTIVITIES FOR YEAR TWO

Table 9 provides a list of specific tasks for each area of assistance planned for Component C during year two. The following table is followed by a summary discussion of year one activities.

**Table 9 - Component C Schedule of Activities**

Activities by Work Area	Q1	Q2	Q3	Q4
1. Fiscal Transparency				

Fiscal Transparency Strategic Lines integrated in the GOES Transparency Policy				
Improvements to the Fiscal Transparency Portal				
Support in the Fiscal Transparency Policy implementation				
<b>2. Development of the EXPRESATE project</b>				
Procurement plan implementation for the EXPRESATE facilities				
Launch of the EXPRESATE facilities				
Follow up of the EXPRESATE project implementation				
<b>3. Modernization of the MOF DECAMH</b>				
Training on Course Development				
Training on Train the Trainers				
Procurement for the reformed DECAMH				
Reforms of the DECAMH functions				
<b>4. Strengthening of the MOF Human Talent Management Strategy</b>				
Evaluation and update of the MOF Directorates technical areas profiles				
Development of the MOF Directorates curriculums				
<b>5. Strengthening of the Fiscal Reforms Dissemination</b>				
Institutionalization of the fiscal reforms dissemination programs				
Follow up in the programs implementation				
<b>6. Hardware and Software Purchase</b>				
Hardware and software purchase plan				
Second year hardware and software procurement				

## DISCUSSION OF TECHNICAL ASSISTANCE AREAS

During the first year, FPMP advanced in Component C including: (i) supporting the drafting of the Fiscal Transparency Policy (in coordination with the EU); (ii) supporting the development of an approach that will allow direct participation and interaction of the GOES and the civil society (Transparency Forum, EXPRESATE Project, Citizens Audits, and improvements to the Transparency Portal); and (iii) gaining consensus within the GOES about the strategy to be implemented. These projects opened a window for private sector outreach and to the building of a stronger relation between the GOES and civil society.

### Fiscal Transparency

FPMP will continue providing support to the GOES in the implementation of a fiscal transparency program that helps the GOES improve accountability, civil society outreach, fiscal responsibility and the public's oversight to budget execution.

FPMP will continue supporting the integration of the Fiscal Transparency Strategic Lines within the GOES Transparency Policy, and the improvements to the Fiscal Transparency Portal. In the integration of the transparency strategic line, FPMP will support the Undersecretary of Transparency of the Presidency in the implementation process, by supporting the definition of a

comprehensive system for fiscal data dissemination and tools for civil society participation, which includes the implementation of a citizens audit system.

FPEMP will also support the modernization of the Fiscal Transparency Portal. This component intends to make the portal accessible to the common citizen. Additionally, FPEMP seeks to promote with the MOF the need to make changes to the regulation to allow the posting of fiscal information that needs to have public access according to international best practice, especially information that, with no legal foundations, is considered to be protected by the Salvadoran privacy regulation.

The EXPRESATE project will be implemented during the following year, opening a window for the construction of a fiscal culture within the young Salvadorians by helping them to understand and accept their fiscal responsibilities, not only in the tax side but also in the control of the GOES accountability.

The strengthening of the DECAMH will help the MOF consolidate a strong human talent that will support the improvement of the services rendered to the taxpayers and civil society in general.

The activities for the second year are:

- Fiscal Transparency Strategic Lines integrated in the GOES Transparency Policy
- Improvements to the Fiscal Transparency Portal
- Support in the Fiscal Transparency Policy implementation

### **Development of the EXPRESATE project**

The civil society representatives highlighted the EXPRESATE project as critical in the Fiscal Transparency Forum. This project (the only of its kind in Latin America) is a unique opportunity for the GOES to build fiscal responsibility within the young Salvadorian population, who are the future taxpayers and who should participate in the coming years in the control of the public resources.

During the first quarter of the second year, the program will implement the EXPRESATE procurement plan and will launch the EXPRESATE facilities. During the project life, FPEMP will follow up the EXPRESATE activities and achievement.

The activities for the second year are:

- Procurement plan implementation for the EXPRESATE facilities
- Launch of the EXPRESATE facilities
- Follow up of the EXPRESATE project implementation

### **Modernization of the MOF DECAMH**

The program will continue to support the DECAMH by helping the MOF improve their capabilities and personnel skills. The improvement of DECAMH is not only considered a priority by the Vice Minister of Revenue Directorates (to help improve tax collection), but it will also support the public expenditure management reform program within the MOF and all the government entities.

The program will deliver a training on Course Development, a training on Training of Trainers, and will support the DECAMH functional reform and procure the necessary equipment to strengthen their current capabilities and create a computer lab.

The activities for the second year are:

- Training on Course Development
- Training on Train the Trainers
- Procurement for the reformed DECAMH
- Reforms on the DECAMH functions

### **Strengthening of the MOF Human Talent Management Strategy**

During the second year, as requested by the MOF, FPMP will support the definition of the MOF Directorates technical area profiles, improving the previous task developed by the Salvadoran Presidential House (CAPRES). In that regard, FPMP will evaluate and update of the MOF Directorates technical areas profiles and will develop the MOF Directorates curriculums.

FPMP will support the strengthening of the MOF staff capabilities and skills and will support the sustainability of all the training provided by FPMP, AECID, EU, WB, GIZ and the IDB. At the same time, the FPMP will support the implementation of the public expenditure management program by building technical capabilities at the GOES institutions level.

The activities for the second year are:

- Evaluation and update of the MOF Directorates technical areas profiles
- Development of the MOF Directorates curriculums

### **Strengthening of the Fiscal Reforms Dissemination Program**

As a component of the fiscal transparency strategy, FPMP will support the institutionalization of a fiscal reforms dissemination system within the MOF, helping the GOES to provide transparent and clear information to taxpayers on the fiscal compliance rules and the tax system structure and attributes.

The activities for the second year are:

- Institutionalization of the fiscal reforms dissemination programs
- Follow up in the programs implementation

## **V. PERFORMANCE MONITORING & EVALUATION**

The objective of the FPEMP monitoring plans is to monitor program activities, track progress against results, and evaluate the impact that it has accomplished. FPEMP's M&E plan includes the collection and analysis of program specific information and indicators. A program 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 collect performance data that FPEMP staff can use to determine progress in achieving its objectives, milestones, results, and impact.

Additionally, FPEMP's COP, USAID, Vice-ministry of Revenue, and Vice-ministry of Expenditure will create a technical committee. This committee will hold bimonthly 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 program's progress. All monitoring will be carried out according to the required deliverables and the benchmarks of the program.

Additionally, FPEMP will conduct an annual performance review resulting in the publishing of an annual results report that will present yearly progress towards achieving the program's expected targets, objectives, and impact. The first year's annual results report is scheduled for July 2012.