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El Salvador Fiscal Policy and Expenditure Management Program (FPEMP)

Revised Fourth Year Annual Work Plan
2014 - 2015

June 2014

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FISCAL POLICY AND EXPENDITURE MANAGEMENT PROGRAM (FPEMP)

**REVISED FOURTH YEAR ANNUAL WORK PLAN
2014 - 2015**

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ACRONYMS

| | |
|--------------|--|
| AECID | Spanish International Cooperation |
| COMPRASAL II | E-Procurement System |
| COP | Chief of Party |
| CSMS | Case Selection Management System |
| DAI | Development Alternatives Incorporated |
| DFDMH | MOF Training and Human Talent Development Department |
| DGA | Customs General Directorate |
| DGCG | General Directorate for Government Accounting |
| DGP | Budget General Directorate |
| DGT | Treasury General Directorate |
| DINAFI | National Directorate for Financial Administration |
| EU | European Union International Cooperation |
| FP EMP | Fiscal Policy & Expenditure Management Program |
| GIZ | German International Cooperation |
| GOES | Government of El Salvador |
| IPSAS | International Public Sector Accounting Standards |
| IVP | International Visitor Program |
| MOF | Ministry of Finance |
| PFM | Public Finance Management |
| SAFI | National Financial Management System |
| TAIIA | Internal Revenue Appeal Unit |
| TCA | Taxpayer Current Account |
| TRS | Taxpayer Registry System |
| TSA | Treasury Single Account |
| UAAP | Hearings and Evidence Opening Unit |
| UNAC | National Procurement Office |
| USAID | United States Agency for International Development |
| WB | World Bank |

I. INTRODUCTION AND BACKGROUND

This report presents the fourth annual work plan for the United States Agency for International Development (USAID) funded Fiscal Policy and Expenditure Management Program (FPEMP). It covers the period from June 10, 2014 through June 9, 2015. FPEMP began effectively on June 10, 2011, when USAID and Development Alternatives, Inc. (DAI) signed the contract. This is a four-year program with an optional fifth year. The four-year base period concludes on June 9, 2015.

The fourth annual work plan continues with the activities agreed upon and started with the Ministry of Finance (MOF) and includes new ones. The first year required the program team to form strong activities foundations, maintain continuity of ongoing technical support to the MOF and ensure achievement and sustainability of the program goals and objectives. The second and third year were entirely dedicated to develop and deliver the program activities and deliverables. In this regard, the program has faced challenges related to obtaining the necessary acceptance and buy-in from the MOF executive and technical staff because they are adverse to eliminate paradigms and embrace new ways to assume the day-to-day operations. Additionally, the challenge to maintain adequate donor coordination has been critical in order to generate synergies on behalf of the program goals.

This fourth year work plan covers the final year of the base period, and it is critical to achieve as many goals as possible. Nevertheless, due to the complexity of the Public Finance Management (PFM) reform agenda the Government of El Salvador (GOES) is executing, many reforms will be fully implemented by January 2017, meaning that in the remaining year, FPEMP will make important contributions to advance the foundations of the PFM components. It is also worth considering that the European Union International Cooperation (EU) project, the German International Cooperation (GIZ) project, and World Bank (WB) project will end before June 2015 with no possibilities for extensions, as they were extended already. Therefore, the MOF will not have any technical support to finish the PFM reforms.

Finally, there are six sections to this report. The first describes FPEMP, including its goals, objectives, and a summary of the main activities. Sections two through four present each component's third year results and then the objectives, results, milestones and activities expected for the fourth year of the program. The fifth section reviews the monitoring and evaluation plan presenting a summary approach for monitoring program activities, tracking progress toward results, and evaluating impact and the last section presents a brief description of the program closedown activities.

PROGRAM GOALS AND OBJECTIVES

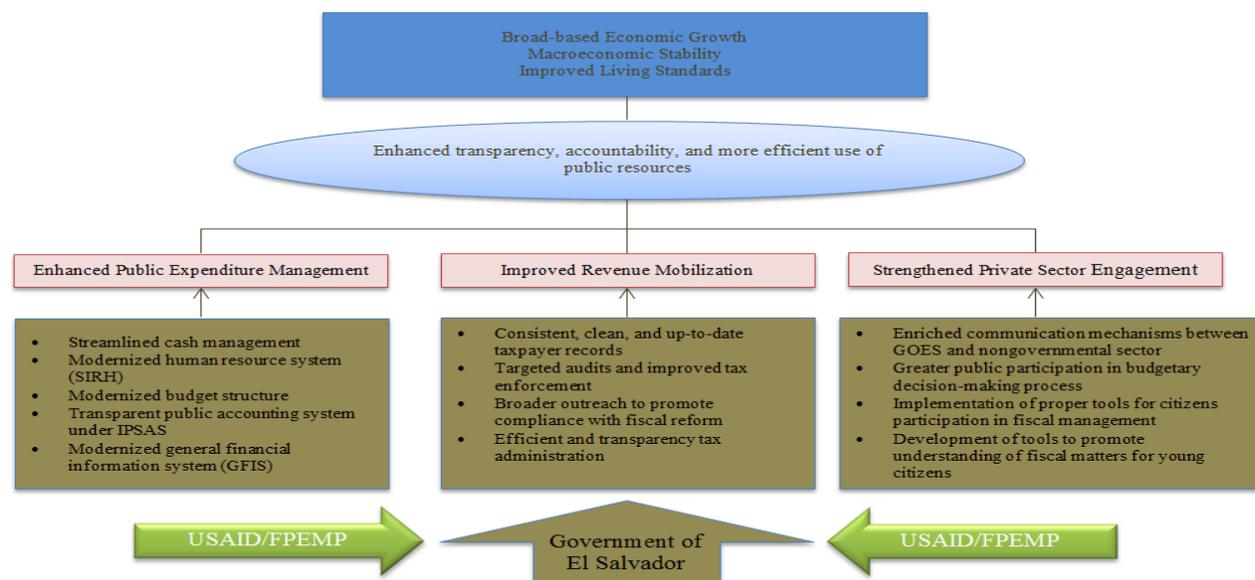
The GOES is engaged in the modernization of its PFM system and the strengthening of its revenue collection. The PFM includes the budget system reform, the treasury system modernization, the adoption of International Public Sector Accounting Standards (IPSAS), the development of a state-of-the-art Government Financial Information System, the development of a fully transactional e-procurement system and the reform of the fiscal transparency portal.

USAID has been supporting the GOES in carrying out the reforms and providing transparency, efficiency, helping the country to overcome its current challenges with the fiscal balance, and supporting the economic growth the country desperately needs. It is particularly critical for the country to achieve this modernization agenda because the fiscal debt is increasing as years go by. It is imperative that the GOES improve PFM and tax collection with more efficiency and transparency.

FPMP is fully committed to supporting the GOES in improving the PFM system to achieve the necessary fiscal sustainability to avoid a possible default, guarantee the provisions of more and better services to the Salvadorians, and provide the stable climate required for economic growth. During the previous three years, FPMP successfully developed more than 70 percent of the Case Selection Management System (CSMS) that assists the GOES in collecting additional tax revenue, and implemented the EXPRESATE Center that provides transparency and builds the foundations of a strong tax system. It also supported the implementation of the Treasury Single Account (TSA) that helps the GOES to wisely manage scarce resources, avoiding the need for the country to increase short term debt “Letes.” Additionally, FPMP supported the first steps of a successful IPSAS implementation, learning from other countries’ mistakes. It supported the development of the first component of the E-Procurement System (COMPRASAL II) that will provide transparency and avoid corruption in the procurement process. Furthermore, it convinced the MOF to redirect the Government Financial Information System development and successfully began the development of the system that will guarantee the implementation of the proper budget modernization agenda, treasury system reform, IPSAS adoption and best fiscal transparency practices.

Figure 1 illustrates how USAID/FPMP will continue providing technical assistance to the GOES in order to achieve the results that will transform the government into a high-performing, results-driven administration that taxes citizens fairly, spends money wisely, and delivers services that the society wants and needs, thus accelerating growth, preserving stability, and improving living conditions for all Salvadorans.

FIGURE 1: FPEMP ROADMAP



FPEMP has three explicit objectives and 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 fourth year is very complex due to the change in GOES authorities. The new president will enter office on June 1st, and it is possible that the MOF authorities will change. However, the good news is that the current Minister of Finance will remain in place for at least one year, although FPEMP is prepared to face the challenges that a transition to a new government entails.

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

On the expenditure side, **Component A**, FPEMP continued supporting the IPSAS adoption, achieving important milestones such as the development and approval of the conceptual model, the new chart of accounts under IPSAS, and the full commitment and understanding of the

importance of the IPSAS adoption for proper public resources management, adequate fiscal policy and necessary fiscal transparency. During the fourth year, the program will continue supporting the IPSAS adoption by developing the IPSAS detailed technical implementation plan, the Accounting Policy Manual, and the chart of accounts description manual, along with training on IPSAS.

Regarding the treasury modernization, the program continued supporting the TSA implementation and improvement of the cash management system. During the fourth year, the program will continue to work in this area.

As for the budget modernization agenda, the original plan to implement the programmatic budget system in 2015 was rescheduled by the MOF for the 2017 fiscal year. The MOF made that decision due to the complexity of the reform activities, the rescheduling of the National Financial Management System (SAFI) II development and the need for obtaining the necessary concurrence of the new GOES authorities. The program provided support to the Budget General Directorate (DGP) in the development of the administrative and functional reform proposal, provided them with experts, and developed a study tour to properly implement the programmatic budget system and expedite the decisions the DGP Director needed to make to assume the reform agenda. During the fourth year, FPEMP in coordination with GIZ will support the design of the budget programs. FPEMP will support the Ministries of Health, Agriculture and Economy and GIZ will support Environment, Education, and Justice and Security. The remaining Ministries will be supported by the DGP. Additionally, the program will support the adoption of the new administrative and functional structure recommended to DGP.

As requested by the MOF, the program began supporting the COMPRASAL II and SAFI II development, key components of the PFM modernization agenda. During the fourth year, the program will continue supporting COMPRASAL II modules development (libre gestion, requests for proposals, and public bidding). The remaining modules (contracts management, direct contracts, guarantees administration, extension and contract modification, and sanctions and fines) must be completed by the MOF, given that these modules would be developed from June 2015 to May 2016.

Regarding support for the development of SAFI II, the program will continue to design the accounting subsystem use cases, treasury subsystem use cases, and budget execution module use cases for the budget subsystem.

As for the accounting subsystem, the program will support the code generation from November 2014 through June 2015, and after that point, the MOF must assume the responsibility of code generation. The program will also begin the development of the treasury subsystem in September. It is expected that the development phase will be completed by October 2015, which means that the MOF must assume the development of the final stage after June 10, 2014. Finally, the budget subsystem development will begin in September 2014 and will continue until June 2015. After that point, the MOF will have to assume all the development.

On the revenue side, **Component B**, FPEMP continued developing the Taxpayer Registration System (TRS) and Taxpayer Current Account (TCA) cleaning with the impressive results of 7,730 registries and 21,523 current accounts cleaned – the first time in the MOF’s history that

this has taken place. Additionally, the program continued advocating for and following up on the web services implementation for the receipt of tax returns and tax payments, helping the MOF to solve the most critical issue that contributed to the pollution of the TCA. As a result, the web services were rolled out in most of the banking institutions.

The CSMS II development continued successfully, and as of June 2014 a number of modules have been developed and deployed, including portfolio management, notary (fedatarios), punto fijo, and special plans and modules. During the fourth year, the program will continue to develop the Hearing and Evidence Unit (UAAP), Internal Revenue Appeal Unit (TAIIA), and call center modules.

The strengthening of the large taxpayer office and the fiscal compliance office will continue to improve tax collection and adequate taxpayer services, and the program will provide extensive training on income tax audit techniques and transfer pricing.

These activities under Component B should result in a significant increase in tax collections and a more transparent tax system, which are key components of the fourth goal of the United States and GOES Partnership for Growth Agreement.

On the private sector outreach and fiscal transparency side, **Component C**, FPEMP began the implementation of the Trilateral Fiscal Transparency Initiative (Brazilian Government, United States Government and GOES) in coordination with the Brazilian Government counterparts. The international workshop on fiscal transparency and the launch of the trilateral initiative took place in December 2013, and the study tour to Brazil to learn from the Brazilian experience on PFM and transparency took place in May 2014. During the fourth year, the program will continue implementing the initiative in coordination with the Brazilian Government and will develop a prototype of the new fiscal transparency portal to be sent to the Brazilian counterparts for evaluation. Once the feedback is received, FPEMP will proceed with the development, testing, and deployment. It is expected that the portal will be launched in November 2014.

Furthermore, the program proposed to GIZ and the Spanish International Cooperation (AECID) the development of a white paper to recommend to the new government the appropriate implementation of a fiscal pact to help the GOES gain private sector and citizens support toward a fiscal sustainability goal. In May, FPEMP began the development of chapter 3 (revenue component) of the white paper, and it is expected that GIZ and AECID will begin the development of chapters 1 and 2 in June. It is expected that the document will be submitted to the Technical Secretary of the Presidency and the Minister of Finance by mid-July.

The support for the EXPRESATE Center continued, and up to date 2,485 people participated in the center's activities, including 1,343 women. Implementation will continue during the fourth year, with special emphasis on incorporating the participation of the private schools.

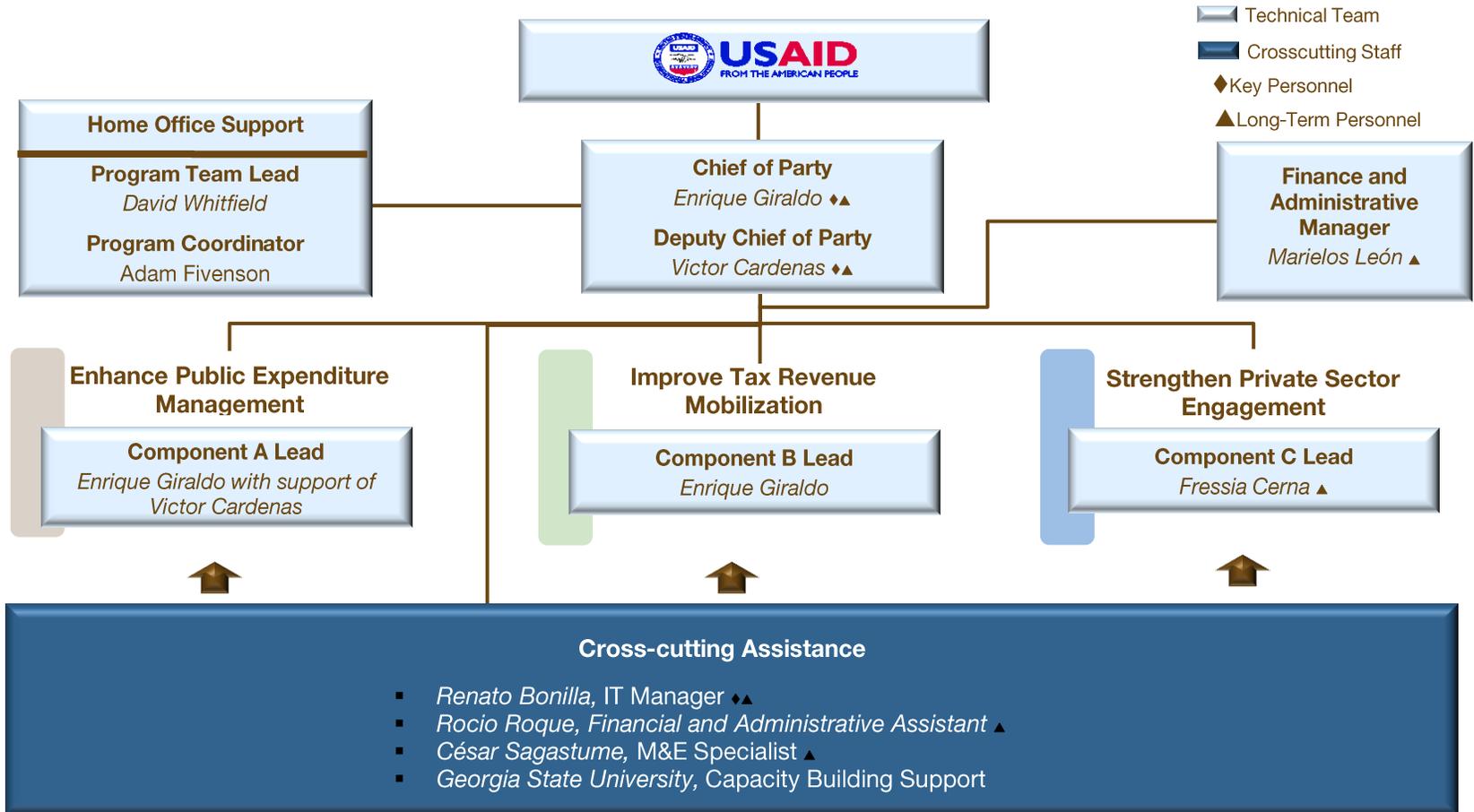
Finally, the program will continue supporting the implementation of the training center and the new human resources system.

MANAGEMENT AND ADMINISTRATION

FPMP is led by a Chief of Party and supported by a Deputy Chief of Party, component leaders, and specialists. FPMP has a main program office located on the sixth floor, tower 3 of the MOF's DGII building. Figure 2 presents the current FPMP management and team structure. The following people currently comprise the FPMP management team:

- Chief of Party and Component A and B Lead (Enhanced Public Expenditure Management and Tax Revenue Mobilization): Mr. Enrique Giraldo
- Deputy Chief of Party supporting the Chief of Party in Component A Lead (Enhanced Public Expenditure Management): Mr. Victor Cardenas
- Component C Lead (Private Sector Outreach): Ms. Fressia Cerna
- IT Manager (Cross-cutting Assistance): Mr. Renato Bonilla
- Finance and Administrative Manager: Ms. Marielos Leon
- Finance and Administrative Assistant: Ms. Rocio Roque
- Monitoring and Evaluation Specialist: Mr. Cesar Sagastume

FIGURE 2: FPMP ORGANIZATIONAL CHART



PARTNERS

DAI has partnered with Georgia State University's International Center for Public Policy – previously the International Studies Program – to help implement FPMP. The International Center for Public Policy has provided technical expertise throughout the Latin America and the Caribbean region for USAID, the WB, the United Nations Development Program, and others. Since the International Center for Public Policy's inception in 1996, its faculty experts have participated in hundreds of academic partnerships, consultancies, and training projects globally. Georgia State University's International Center for Public Policy'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. The International Center for Public Policy will deliver training during the fourth year on budget programs design and on ROB system implementation.

INTERNATIONAL DONOR COORDINATION

The MOF is currently receiving additional technical assistance from the EU, GIZ, AECID, WB, Inter-American Development Bank, and the International Monetary Fund, which imposes a very challenging coordination task. The program staff continues working in close coordination with the donors in the implementation of tasks in support of the MOF.

FPMP will engage in constant communication with other donors and multilaterals, assisting the GOES to gain greater control over donor commitments while shaping the development agenda.

Specifically the program will coordinate efforts on the budget program design with the GIZ in the Tax Controls Risk Management development, the WB in supporting the SAFI II Development, the Office of Technical Assistance in providing support to the Treasury System modernization, and the Inter-American Development Bank in coordinating efforts to improve the public procurement system.

II. COMPONENT A: Public Expenditure Management

The fourth year will begin with the change in GOES administration. As a new government will enter office, it is necessary to put forward the necessary efforts to guarantee the continuity of the PFM modernization plan. It is expected that at the Directorate level no significant changes will be made. The beginning of the development of the SAFI II is critical to ensuring that in 2017 the modernization agenda will be fully implemented by the GOES. Otherwise, the transition from the current budget system to the programmatic results oriented budget will not take place, the new treasury system will not be implemented, and the IPSAS adoption could experience significant delays.

The program will continue supporting the design of the use cases, developing the treasury subsystem, and supporting the National Directorate for Financial Administration (DINAFI) in the development of the budget and accounting subsystems. Nevertheless, one year is not sufficient for the completion of this complex task of developing a government financial information system, as only 40 percent of the system could be developed during that period and the MOF will therefore need to continue on its own with the system development.

The program will continue supporting the IPSAS implementation with the development of the detailed implementation plan, the accounting events matrix, the development of the IPSAS accounting policy manual and the development of the chart of accounts description manual.

The budget program design will begin during the fourth year, as it was not possible to launch the task during the third year due to the rescheduling of the SAFI II development and deployment. The program will support the Ministries of Health, Agriculture and Economy in program design and development. Additionally, the program will support the implementation of the DGP structural reform.

The COMPRASAL II system development will continue. The program will develop the “libre gestion”—a request for proposal and public binding. The other modules (contracts management, direct awards, warranties administration, extension or contract modification, and sanction and fines) must be developed by the MOF, because their development will require an additional year of work.

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
- Improved efficiency of the Treasury General Directorate (DGT) to program and manage government funds

- A modernized, integrated SAFI, which enables consistent budget formulation, execution, and monitoring and evaluation processes across all spending agencies
- A government accounting system adopted under IPSAS
- Support for the SAFI II development
- Develop the new e-procurement system to help the MOF Procurement Office (UNAC) improve procurement by more than 50 percent and provide greater transparency to public resources expenditures

YEAR THREE COMPONENT A RESULTS

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

Table 1 – Component A Year Three Results

| Component A Activities | Target | | | | Achieved |
|---|--------|----|----|----|----------|
| | Q1 | Q2 | Q3 | Q4 | |
| 1. Developed the accounting conceptual model subsystem under IPSAS | | | | | Q1/2013 |
| 2. Supported the development of the chart of accounts | | | | | Q1/2013 |
| 3. Developed the strategy for treasury subsystem use cases design | | | | | Q1/2013 |
| 4. Produced the DGP functional administrative modernization proposal technical document | | | | | Q1/2013 |
| 5. Organized donors and MOF workshop on GOES public expenditure modernization project | | | | | Q1/2013 |
| 6. Completed International Visitors Program (IVP) to Costa Rica to learn about the Costa Rican experience in adopting IPSAS | | | | | Q2/2013 |
| 7. Provided technical assistance in the SAFI II treasury module use cases design | | | | | Q2/2013 |
| 8. Provided technical assistance in the implementation of the DGP functional administrative reform | | | | | Q2/2013 |
| 9. Designed the preliminary plan to strengthen the National Procurement Office | | | | | Q2/2013 |
| 10. Supported the working retreat covering the validation of the SAFI II tables and catalogues | | | | | Q2/2013 |
| 11. Supported the Directorates’ validation of the SAFI II tables and catalogues | | | | | Q2/2013 |
| 12. Provided technical assistance in the development of the Directorates’ adjusted critical path | | | | | Q2/2013 |
| 13. Reviewed and secured approval of the accounting subsystem conceptual model | | | | | Q3/2014 |
| 14. Developed the accounting modernization work plan | | | | | Q3/2014 |
| 15. Developed the treasury subsystem software work plan | | | | | Q3/2014 |
| 16. Completed an IVP to Argentina on budget programs formulation, budget monitoring and evaluation, and results-oriented budgeting | | | | | Q3/2014 |
| 17. Reached agreement with the MOF on FPMP support for the SAFI II development | | | | | Q3/2014 |
| 18. Delivered training on use cases design methodology to DINAFI, DGT, General Directorate for Government Accounting (DGCG) and DGP | | | | | Q3/2014 |
| 19. Delivered a conceptual test for the SAFI II development | | | | | Q3/2014 |
| 20. Supported the development of the SAFI II strategic plan | | | | | Q3/2014 |

| | | | | |
|--|--|--|--|---------|
| 21. Delivered a training on FPEMP software development framework to DINAFI | | | | Q3/2014 |
| 22. Completed an IVP to Panama and Colombia on Indefinite Quantity Contract and reverse auction procurement strategies | | | | Q3/2014 |
| 23. Developed the COMPRASAL II work plan | | | | Q3/2014 |

1. **Developed the accounting conceptual model subsystem under IPSAS** – The program developed a conceptual model for the new public accounting system, implementing the IPSAS and the International Monetary Fund statistics manual guidelines. The model was approved by the DGCG and integrated into the SAFII II development strategy.
2. **Supported the development of the chart of accounts** – The program developed the chart of accounts for the new public accounting system, implementing the IPSAS and the International Monetary Fund statistics manual guidelines. The FPEMP consultant met with the DGCG staff to discuss the proposal and make the necessary changes as requested by the MOF. The final version of the chart of accounts was submitted to the DGCG for final review and comments. By the end of the third year, the chart of accounts was approved by the DGCG Director, and it will now be incorporated into the SAFII II development.
3. **Developed the strategy for treasury subsystem use cases design** – The program worked with DINAFI and DGT in the development of a strategy for the treasury subsystem use cases design. The program proposed the development of the system requirements with three experts in close coordination with the DGT technical staff. The treasury system is disarticulated and polluted by manual and electronic processes, but the situation will be resolved through the proposed system requirements. During the third year, FPEMP developed the use cases and submitted them to DGT for approval. By mid-June, they must be resubmitted to FPEMP with the necessary adjustments for development.
4. **Produced the DGP functional administrative modernization proposal technical document** – FPEMP submitted the DGP functional administrative modernization proposal to the DGP Director. The document was reviewed, and the DGP requested some modifications regarding the inclusion of new functions, such as security and quality information. FPEMP worked with a DGP team in reviewing the entire document and including the requested functions. It is expected that the implementation of the reform will begin in the coming year.
5. **Organized donors and MOF workshop on GOES public expenditure modernization project** – The Chief of Party (COP) proposed to the donors' committee that FPEMP organize a workshop for the MOF to present the adjusted agenda for the modernization of the PFM. The MOF Vice Ministers and the Directors and Deputy Directors of DGP, DGT, General Directorate for Public Investment and Credit, DGCG, General Directorate for Economic and Fiscal Policy, UNAC and DINAFI attended the workshop, which took place at the end of August. Due to the implementation delays in some Directorates, the MOF presented an agenda with an adjusted schedule, which noted that the new programmatic budget system and SAFII II are now to be implemented by January 2016—one year later than the originally scheduled date. At the end of the third year, the MOF requested the implementation of the new programmatic budget in 2017. The delay is linked to the complexity of the activities being undertaken, as El Salvador is engaged in a substantial and ambitious reform of the entire PFM system. This extensive reform is of the utmost importance for the GOES to reach the needed level of fiscal sustainability. In meetings with the MOF Vice Ministers, the COP

continues insisting on the importance of complying with the schedule and avoiding further postponements of the date for the modernization plan implementation.

- 6. Completed an IVP to Costa Rica to learn about the Costa Rican experience adopting IPSAS** – FPEMP completed an IVP to the Costa Rican MOF for participants to learn about their experience adopting IPSAS. The DGCG Normative Department Manager and the DGCG Accounting Research and Norm Unit Manager participated in the IVP. The topics covered included the following: the strengths and weaknesses of IPSAS adoption in Costa Rica, the development of the chart of accounts and the accounting policy manual, the centralized accounting system, the relationship between the budget and accounting classifiers, application guides, financial statements under IPSAS, and IPSAS coverage.
- 7. Provided technical assistance in the SAFI II treasury module use cases design** – Three FPEMP treasury experts supported the SAFI II treasury module use cases design. The design included 15 use cases for Treasury Basic Entities, 17 use cases for Revenue, 16 use cases for Financial Programming, 23 use cases for Expenditure, and 11 use cases for Operations Conciliation.
- 8. Provided technical assistance in the implementation of the DGP functional administrative reform** – FPEMP in coordination with the DGP team supporting the DGP reform and presented the adjusted reform plan. The adjusted plan included the Programming Division and Expenditure Quality Deputy Directorate with the Monitoring and Evaluation Unit, the Budget Management Division with the Budget Sectors Administration, Social and Economic Development Unit, and Logistics, Institutional Link, and Legal Units.
- 9. Designed the preliminary plan to strengthen the UNAC** – The COP and the FPEMP Information Technology Manager worked together with DINAFI and UNAC in designing a preliminary strategy for supporting the strengthening of UNAC. The task includes the development of the e-Procurement System and training on Indefinite Quantity Contract and Reverse Auction procurement modalities.
- 10. Supported the working retreat covering the validation of the SAFI II tables and catalogues** – FPEMP in coordination with the EU project funded a three-day retreat for DINAFI, DGT, DGCG, DGP, UNAC and General Directorate for Public Investment and Credit to work on the revenue and expenditure classifiers and SAFI II catalogues and tables. Throughout the retreat, the group worked on the revenue and expenditure classifiers and the Institutional, Functional, Organizations, Resources, and Geographic Catalogues.
- 11. Supported the Directorates' validation of the SAFI II tables and catalogues** – FPEMP in coordination with the EU project supported the Directors' validation of the SAFI II tables and catalogues. The GIZ Project Director as well as Directors, Deputy Directors and technical teams from DGP, DGCG, General Directorate for Public Investment and Credit, DINAFI, DGT, and UNAC participated. The Deputy Director from DGP noted the importance of the working retreat, as the technical team was able to obtain the necessary agreements. He presented all catalogues, and all in attendance committed to officially send the validation note.
- 12. Provided technical assistance in the development of the Directorates' adjusted critical path** – FPEMP supported the development of the Directorates' adjusted critical paths. The

Deputy Chief of Party met with all Directors, Deputy Directors and technical staff to create the public expenditure modernization critical paths.

- 13. Reviewed and secured approval of the accounting subsystem conceptual model –** FPEMP developed the accounting subsystem conceptual model that will be the foundation for the development of the SAFI II accounting subsystem. The model was developed under the IPSAS methodology and approved after discussion with the DGCG. However, the implementation of the IPSAS methodology has been complicated because the DGCG technicians were not complying with the previous agreement obtained with the MOF on the adoption strategy and agenda. The COP expressed his concern to the DGCG Director that under no circumstances could the situation be tolerated, as it could lead to additional delays and costs. The Director promised to take the necessary steps to keep the situation from occurring again.
- 14. Developed the accounting modernization work plan –** The program made adjustments to the preliminary work plan and developed the final work plan for the IPSAS adoption, which was approved by the DGCG. It covers the period of time and specific activities that are required for the effective implementation of the IPSAS. The COP requested that the DGCG Director instruct his staff on the need to comply with the approved schedule, and the Director concurred.
- 15. Developed the treasury subsystem software work plan –** The program developed the treasury subsystem work plan, which was developed with estimated workload inputs forecasted by the FPEMP treasury consultants. It is expected that the software development will start in at the beginning of the program's fourth year.
- 16. Completed an IVP to Argentina on budget programs formulation, budget monitoring and evaluation, and results-oriented budget –** FPEMP completed an IVP to Argentina on budget program formulation, budget monitoring and evaluation, and results-oriented budgeting. The DGP Director, the DGP Medium Term Expenditure Framework Division Manager, the DGP Medium Term Expenditure Framework Division Technician and the COP took part in the IVP, covering such topics as the Argentinian experience, legal framework, institutional framework, methodologies and information system of budget programs formulation, budget M&E, and results-oriented budgeting. Additionally, the GIZ program accepted an invitation from FPEMP to attend the IVP and cover the costs of two technicians from DGP.
- 17. Reached agreement with the MOF on FPEMP support for the SAFI II development –** The MOF requested that FPEMP support the development of SAFI II. On the functional side, the support would involve the use cases design for the treasury subsystem, the budget execution module, and the accounting subsystem. On the software development side, it would entail the generation of code (40 percent of the software) for the budget subsystem and the accounting subsystem as well as the full development of the treasury subsystem. The program agreed to support the system development, but it would need to be under FPEMP's standards, frameworks, and tools, given the level of success achieved through them to date on FPEMP and its predecessor project, Tax Policy and Administration Reform. In addition, the COP expressed that the current problems with the tasks assignment (i.e., multiple donor efforts disarticulated) must be addressed. It is important to note that it is not possible to implement results-oriented budgeting, the programmatic budget, advanced TSA, and IPSAS

without SAFI II. As FPEMP continues supporting the task, it will work to recover the time lost by the MOF and other donors during the last two years.

- 18. Delivered training on use cases design methodology to DINAFI, DGT, DGCG, and DGP** – FPEMP consultants delivered training on use cases design methodology to DINAFI, DGT, DGCG and DGP technical staff. The training was attended by 33 people, including 13 women.
- 19. Delivered a conceptual test for the SAFI II development** – The program developed a conceptual test for the SAFI II development using the program’s development framework. The program created a “step-by-step” document explaining the program’s code generation strategy. DINAFI staff will use the document in the completion of the SAFI II software.
- 20. Supported the development of the SAFI II strategic plan** – The program communicated to DINAFI the software development strategy used by the FPEMP consultants. The document showed that it is part of the strategic plan for SAFI II software development. As explained previously, the MOF agreed on the adoption of the program standards and methodologies.
- 21. Delivered training on FPEMP software development framework to DINAFI** – The program delivered training on FPEMP’s software development framework to 10 members of DINAFI’s staff, including three women.
- 22. Completed an IVP to Panama and Colombia on IQC and reverse auction procurement strategies** – FPEMP completed an IVP to Panama and Colombia on IQC and reverse auction procurement. The UNAC Manager, the UNAC supplier Management Technician, the UNAC Norms and Training Unit Technician and the COP participated in the IVP, covering topics such as the countries’ experiences, case studies of success and failures, economic aspects, tools, management and legal framework of indefinite quantity contract and reverse auction procurement strategies. The Inter-American Development Bank accepted an invitation from FPEMP to attend the IVP and sent the consultant supporting UNAC.
- 23. Developed the COMPRASAL II work plan** – The COMPRASAL II system was conceived as a transactional e-procurement system that will strengthen the UNAC role, support the GOES in achieving a greater than 60 percent improvement in procurement due to a reduction in costs and time, provide transparency, and allow civil society and the private sector to track public expenditures through an interface of COMPRASAL II and the MOF fiscal transparency portal. This demonstrates why the development of the system is critical for improving transparency and implementing the public expenditure agenda. The program will develop the entire system following international standards. FPEMP developed the COMPRASAL II work plan, which covers the following:
 - Phase I
 - Annual Work Plan of Acquisitions and Procurement (PAAC)
 - Open Management (libre gestion)
 - Purchase Orders Management
 - Phase II
 - Request for Proposals
 - Direct Award
 - Public Bidding
 - Contracts Administration
 - Warranties Administration

SUMMARY OF MILESTONES FOR YEAR FOUR

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

Table 2 – Component A Milestones

| Component A Milestones | Q1 | Q2 | Q3 | Q4 |
|---|----|----|----|----|
| Implementation of the DGP administrative and functional reform | | | | |
| Development of the Budget Execution Conceptual Model | | | | |
| Support the DGP in the development of the budget programs for Health, Agriculture and Economy sectors | | | | |
| Development of the DGT administrative and functional reform | | | | |
| Development of the DGCG administrative and functional reform | | | | |
| Development of the chart of account description manual | | | | |
| Development of the accounting policy manual | | | | |
| Development of the IPSAS implementation detailed plan | | | | |
| Design of the SAFI II budget execution use cases | | | | |
| Development of the SAFI II treasury subsystem | | | | |
| Design of the SAFI II accounting subsystem use cases | | | | |
| Development of the COMPRASAL II “libre gestion” module | | | | |
| Development of the COMPRASAL II request for proposal and public binding modules | | | | |

DESCRIPTION OF ACTIVITIES FOR YEAR FOUR

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

Table 3 – Component A Schedule of Activities

| Activities by Work Area | Q1 | Q2 | Q3 | Q4 |
|--|----|----|----|----|
| Budget system modernization project | | | | |
| Continue to support the budget modernization project | | | | |
| Support the implementation of the DGP administrative and functional reform | | | | |
| Support the DGP in the development of the budget programs for the assigned sectors | | | | |
| Develop the conceptual model of the Budget Execution System | | | | |
| Develop the Budget Executive process and procedures | | | | |
| TSA implementation project | | | | |
| Continue to support the TSA implementation project | | | | |
| Develop the DGT administrative and functional reform | | | | |
| IPSAS adoption project | | | | |
| Continue to support the IPSAS adoption project | | | | |
| Develop the DGCG administrative and functional reform | | | | |

| | | | | |
|---|--|--|--|--|
| Develop the chart of accounts description manual | | | | |
| Develop the accounting policy manual | | | | |
| Develop the IPSAS implementation detailed plan | | | | |
| SAFI II development project | | | | |
| Design the SAFI II budget execution use cases | | | | |
| Develop the SAFI II treasury subsystem | | | | |
| Design the SAFI II accounting subsystem use cases | | | | |
| Generate the code for the Budget Subsystem-IT Component | | | | |
| Generate the code for the accounting subsystem-IT Component | | | | |
| COMPRASAL II development project | | | | |
| Develop, deploy and stabilize the PAAC module | | | | |
| Develop the “libre gestion” module | | | | |
| Deploy and stabilize the “libre gestion” module | | | | |
| Develop the request for proposal modules | | | | |
| Develop the public binding module | | | | |

DISCUSSION OF TECHNICAL ASSISTANCE AREAS

The PFM reform of the GOES is ambitious and complex. FP EMP is committed to support the MOF in the accomplishment of the tasks and the successful implementation of a system that must be more transparent, efficient and citizens oriented. The third year was critical to the discussions of deep technical matters that are at the heart of the modernization project. Additionally, the MOF requested FP EMP support for the SAFI II and the COMPRASAL II development, components of paramount importance in the PFM agenda.

Budget System Modernization Project

As previously explained, the MOF has decided to reform the budget system, from a line budget structure to a programmatic results-oriented budget. GIZ supported the development of the conceptual model of the budget formulation and the dissemination of the model methodology throughout the DGP and GOES budget offices. Additionally, it is supporting the development of the budget schedule.

During the third year, the program began the development of the budget execution conceptual model, process and procedures, although it encountered significant challenges due to the lack of commitment of the DGP Director, who did not approve the proposals according to the previously agreed schedule. The COP expressed his concern to the Vice Minister of Finance and he instructed the DGP Director to commit DGP efforts to approve the conceptual model. During the fourth year, FP EMP will complete the task and incorporate the model for the budget use cases design. Additionally, the program expert will develop the budget execution manuals, complete an IVP to Peru on budget execution methodologies to improve DGP staff skills, and support the training for the GOES entities.

During the coming year the administrative and functional reform of DGP will take place based on program recommendations, and FPEMP will provide support to the implementation.

It is important to highlight that this is the last year of the program's base period. The implementation of the programmatic budget through a results-oriented strategy will take place in January 2017, so the program will work diligently to create the foundations for the new budget modernization implementation, but we cannot guarantee that the modernization program will be achieved as expected due to the gap after the end of the program's period of performance.

The activities for the fourth year are:

- Continued support for the budget modernization project
- Support for the implementation of the DGP administrative and functional reform
- Support for the DGP in the development of the budget programs for assigned sectors
- Development of the conceptual model of the budget execution system
- Development of the budget executive process and procedures

TSA Implementation Project

The modernization of the treasury system is critical for the successful expenditure modernization agenda. The critical situation of the GOES in the area of fiscal stability makes it necessary to transform the DGT in the government banking institution. This should be done for DGT to be capable of properly managing and allocating scarce GOES resources and avoiding the excessive use of the short-term debt "Letes" instrument—a very expensive mechanism for public expenditure funding.

In order to achieve the proposed goals, the program will support the reform of the current DGT structure, support the reform of the current process and procedures, and develop the new treasury subsystem.

The activities for the fourth year are:

- Continued support for the TSA implementation project
- Development of the DGT administrative and functional reform

IPSAS Adoption Project

The program has obtained the full commitment of the MOF to adopt the IPSAS. During the fourth year the program will support the accounting subsystem use cases development, the accounting events matrix development, chart of accounts descriptors, IPSAS adoption detailed plan development, and IPSAS accounting procedure manual development—all of which will be accompanied by extensive training to the DGCG. To guarantee proper IPSAS adoption, it is necessary that SAFI II be fully developed and deployed, so the program will continue supporting the subsystem use cases development and the subsystem IT code generation.

The activities for the fourth year include:

- Continued support for the IPSAS adoption project
- Development of the DGCG administrative and functional reform
- Development of the chart of accounts descriptors
- Development of the accounting policy manual
- Development of the IPSAS implementation detailed plan

SAFI II Development Project

SAFI II is a cornerstone for the implementation of the programmatic results-oriented budget, the modernized TSA, the IPSAS adoption, and the second phase of the fiscal transparency strategy. In that regard, it is critical to develop SAFI II over the coming years prior to its January 2017 deployment. The development of the system encountered significant challenges during the last three years. In light of that and in consideration of the success FPMP has had in developing and deploying software for the MOF, the Vice Minister of Finance requested FPMP support for the development of the system.

The program will continue designing the use cases of the public accounting subsystem and the budget execution module, and it will perform a final revision of the treasury subsystem. Once these activities are completed, the program will begin the development of the treasury subsystem and the code generation of the budget and public accounting subsystem. Nevertheless, due to the complexity of the project, FPMP will only be able to develop 40 percent of the task in the final year of the base period, which would mean the MOF would be responsible for completing, testing, deploying, and stabilizing the system.

The activities for the fourth year are:

- Design of the SAFI II budget execution use cases
- Development of the SAFI II treasury subsystem
- Design of the SAFI II accounting subsystem use cases
- Code generation of the public accounting subsystem
- Code generation of the budget subsystem

COMPRASAL II Development Project

During the third year, the program began supporting the development of the MOF e-procurement system COMPRASAL II. For the fourth year, the program will continue supporting the use cases design of the different modules and will develop the “libre gestion,” request for proposal and public bidding module.

To be clear, the program will begin the development of several modules in the fourth year but they will not be completed until May 2016. The modules are contracts management, direct contract, warranties administration, and sanctions and penalties.

The activities for the fourth year include:

- Deployment and stabilization of the PAAC module
- Development of the “libre gestion” module
- Deployment and stabilization of the “libre gestion” module
- Development of the request for proposal module
- Development of the public bidding module

III. COMPONENT B: Tax Revenue Mobilization

FPEMP will continue supporting the strengthening of the large taxpayer office, the integration of the DGII, Customs General Directorate (DGA) and DGT through the CSMS II development, the follow-up of the implementation of the web services system and the institutional TRS and TCA cleaning process, strengthening of the tax audit skills of large and medium taxpayer offices, the improvement of the taxpayer services provided by DGII, and the necessary fiscal reforms and their dissemination to taxpayers.

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

YEAR THREE COMPONENT B RESULTS

Results for the program's third year for Component B are summarized in the table below and described in brief detail below the table:

Table 4 – Component B Year Three Results

| Component B Activities | Target | | | | Achieved |
|--|--------|----|----|----|----------|
| | Q1 | Q2 | Q3 | Q4 | |
| 1. Completed the TCA cleaning process | | | | | Q1/2013 |
| 2. Completed the TRS cleaning process | | | | | Q2/2013 |
| 3. Completed the quality control of the cleaned TCA accounts | | | | | Q2/2013 |
| 4. Procured kiosks for the taxpayer self-service system | | | | | Q2/2013 |
| 5. Delivered a training program on CSMS II (audit DGII and DGA) | | | | | Q2/2013 |
| 6. Completion of the fiscal audit, portfolio management (gestion tributaria y grandes), notary (fedatarios), punto fijo, and special plans audit modules | | | | | Q3/2014 |
| 7. Supported the TCA institutionalization | | | | | Q3/2014 |
| 8. Provided assistance to the Organization for Economic Co-operation and Development and Inter American Center of Tax Administrations conference on tax administration | | | | | Q3/2014 |

- 1. Completed the TCA cleaning process** – FPEMP completed the clean-up of the 21,523 accounts selected by the MOF. Additionally, the program executed the quality control process for the cleaned accounts and supported the cleaning process institutionalization.
- 2. Completed the TRS cleaning process** – FPEMP completed the clean-up of the 7,730 registries selected by the MOF. FPEMP cleaned 542 large taxpayers' accounts, 1,782 medium range taxpayers' accounts, 5,155 other taxpayer accounts, and 251 Tax ID card

duplicities. Additionally, the program replaced 167 Tax ID numbers, performed 40,147 calls, and supported the cleaning process institutionalization.

3. **Completed the quality control of the cleaned TCA accounts** – FPEMP completed the quality control process for the 20,926 TCA cleaned accounts. The MOF is responsible for performing the remainder of the quality control process.
4. **Procured kiosks for the taxpayer self-service system** – FPEMP received the six kiosks for the taxpayer self-service system. The MOF installed the kiosks in the taxpayer assistance centers across the country.
5. **Completion of the fiscal audit, portfolio management (gestion tributaria y grandes), notary (fedatarios), punto fijo, and special plans audit modules** – The program continued developing CSMS II and completed the development of more than 50 percent of the entire system. The modules developed included the fiscal audit, portfolio management, notary, punto fijo and special plans audit. The audit module for customs was completed as well, but because the DGA did not provide access to the SIDUNEA Plus (Customs Information System), the system will not be deployed until the access is granted. The testing of these modules encountered serious challenges due to the lack of support from the MOF. Regardless, the program worked diligently to comply with the testing schedule, and the system will be ready for deployment by March 2014—well ahead of the July deadline requested by the MOF. Once the system is launched, it will help the tax administration to improve tax control and tax collection.
6. **Supported the TRS institutionalization** – The program completed the cleaning of the TRS with outstanding results and requested that the MOF institutionalize the cleaning task so the tax administration can perform this activity on a daily basis moving forward. With FPEMP support, the MOF created the group that is currently performing the TRS cleaning to keep the system from becoming polluted again.
7. **Supported the TCA institutionalization** – The program completed the cleaning of the TCA, so the taxpayers and tax administration now have more accurate taxpayer information on tax debits and credits. During the cleaning activity, FPEMP requested that the MOF institutionalize the cleaning so the tax administration can perform this activity on a daily basis moving forward. With FPEMP support, the MOF created the group that is currently performing the TCA cleaning to keep the system from becoming polluted again. The program will continue to support the group activities.
- **Provided assistance to the Organization for Economic Co-operation and Development and Inter-American Center of Tax Administrations conference on tax administration** – As a coordinated effort with GIZ, the COP attended the conference on Base Erosion and Profits Shifts. The GIZ Project Director, the DGII Director and the Large Taxpayer Office Manager also attended. The Base Erosion and Profits Shifts initiative was proposed under the G-20 as a strategy to support the development of multilateral and bilateral initiatives to prevent tax avoidance, tax evasion, the erosion of the tax base, and the shifting of profit performed by large corporations. The COP explained that the tax gap analysis completed under the US Treasury Technical Assistance Office and the results from USAID projects in several countries in Latin America showed the deep impact that transfer pricing has in tax collection and in the capacity of the tax administration to levy income tax. He added that it

was necessary to implement multilateral efforts and strengthen tax regulation in the entire region.

SUMMARY OF MILESTONES FOR YEAR FOUR

The following table presents the various milestones planned for Component B for the fourth year:

Table 5 – Component B Milestones

| Component B Milestones | Q1 | Q2 | Q3 | Q4 |
|---|----|----|----|----|
| Income tax audit training | | | | |
| Development of the CSMS II UAAP modules | | | | |
| Development of the CSMS II TAIIA module | | | | |
| Development of the CSMS II call center module | | | | |
| Income tax audit training | | | | |

SCHEDULE OF ACTIVITIES FOR YEAR FOUR

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

Table 6 - Component B Schedule of Activities

| Activities by Work Area | Q1 | Q2 | Q3 | Q4 |
|---|----|----|----|----|
| Support fiscal reforms and its dissemination as requested by the MOF | | | | |
| Support fiscal reforms and its dissemination as requested by the MOF | | | | |
| Income tax audit training | | | | |
| CSMS II upgrade project | | | | |
| Income Tax audit training | | | | |
| Development of the UAAP modules | | | | |
| Development of the TAIIA module | | | | |
| Development of the call center module | | | | |
| Deploy and stabilization of the UAT, SIT and notification modules (former UAAP) modules | | | | |
| Deploy and stabilization of the TAIIA module | | | | |
| Deploy and stabilization of the of the call center module | | | | |

DISCUSSION OF TECHNICAL ASSISTANCE AREAS

During the third year, the program successfully completed important tasks such as the TRS cleaning process, the TCA cleaning process, the TRS and TCA institutionalization process, and the development of some CSMS II modules.

For the fourth year, the program will continue to support the TRS and TCA cleaning process and the upgrading of CSMS II.

Support Fiscal Reforms and its Dissemination as Requested by the MOF

The new government is preparing several fiscal reforms and is ready to reactivate the fiscal pact that will entail possible fiscal reforms. Based on a MOF request, FPEMP will provide expert support for the development and implementation of the fiscal reforms and their dissemination to the private sector.

The program will provide training on specialized income tax audit techniques for the offices of large and medium taxpayers to improve their skills and help them to collect more tax revenues.

The activities for the fourth year include:

- Support fiscal reforms and their dissemination as requested by the MOF
- Income tax audit training

CSMS II Upgrade Project

During the third year, the program completed the development of the fiscal audit, portfolio management, notary, “punto fijo” and special plans module. The modules introduced new flows, procedures, and controls to CSMS II.

The program will continue with the development of the UAAP, TAIIA, and call center modules. Additionally, the program will support the deployment and stabilization of each module.

The activities for the fourth year are:

- Development of the UAAP modules
- Development of the TAIIA module
- Development of the call center module
- Deployment and stabilization of the UAAP modules
- Deployment and stabilization of the TAIIA module
- Deployment and stabilization of the call center module

IV. COMPONENT C: Private Sector Outreach

During the fourth year, the program will continue supporting the fiscal transparency initiative, which includes the fiscal transparency portal, the fiscal transparency portal for municipalities, and the strengthening the civil society’s monitoring mechanisms on fiscal matters. Moreover, the program will continue supporting the implementation of the new MOF competency-based human resources system, the strengthening of the MOF training center, and the EXPRESATE center operations.

Many of these activities are important components of the private sector outreach strategy determined by FPEMP and the MOF. During the last year of the current administration, the GOES never expressed sufficient political will to develop a fiscal pact, but the new administration is sending clear signals that it intends to develop a fiscal sustainability agreement with the private sector and civil society, which may represent an opportunity for FPEMP to provide support once the new administration takes office. The program will work with the new GOES administration and other parties involved in promoting interest to reach such an agreement.

COMPONENT OBJECTIVES

Long-term objectives under Component C include:

- Enhanced communication mechanisms between GOES and non-governmental sector through a fiscal transparency portal
- Assist the private sector to better understand and comply with newly enacted fiscal reforms
- Support the development of public sector and civil society partnership programs to monitor public expenditures
- Advocate with the GOES to implement a Fiscal Pact

YEAR THREE COMPONENT C RESULTS

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

Table 7 – Component C Year Three Results

| Component C Activities | Target | | | | Achieved |
|--|--------|----|----|----|----------|
| | Q1 | Q2 | Q3 | Q4 | |
| 1. Supported the implementation of the MOF human resources system | | | | | Q1/2013 |
| 2. Implemented workshops on HR evaluation applying competencies | | | | | Q1/2013 |
| 3. Launched the pilot program for the new MOF human resources evaluation system | | | | | Q1/2013 |
| 4. Reached an agreement with the MOF Directorates on the MOF fiscal transparency portal data | | | | | Q1/2013 |
| 5. Established the MOF Training and Human Talent Development Department (DFDMH) computer lab | | | | | Q2/2013 |

| | | | | |
|---|--|--|--|---------|
| 6. Improved the DFDMH training rooms | | | | Q2/2013 |
| 7. Continued to strengthen the DFDMH | | | | Q2/2013 |
| 8. Presented the new MOF HR system to the MOF Directors and MOF Union Board | | | | Q2/2013 |
| 9. Provided technical support to the new MOF HR system implementation start-up | | | | Q2/2013 |
| 10. Selected the web graphic design company to modernize the fiscal transparency portal | | | | Q2/2013 |
| 11. Organized the Trilateral Cooperation Conference and Workshop on fiscal transparency | | | | Q2/2013 |
| 12. Organized FPEMP activities for the PFG fair hosted by USAID | | | | Q2/2013 |
| 13. Launched the Trilateral Cooperation on Fiscal Transparency | | | | Q3/2014 |
| 14. Delivered workshops on fiscal transparency | | | | Q3/2014 |
| 15. Launched the Fiscal Transparency Initiative for Municipalities | | | | Q3/2014 |
| 16. Participated in the PFG fair under the EXPRESATE center initiative | | | | Q3/2014 |
| 17. Established the MOF DFDMH computer lab | | | | Q3/2014 |
| 18. Training on civil society outreach strategies and programs | | | | Q4/2014 |
| 19. Study tour on Fiscal Transparency to Brazil | | | | Q4/2014 |

1. **Supported the implementation of the MOF human resources system** – At the request of the Vice Minister of Finance, the program supported the design of the new MOF human resources system implementation plan. FPEMP consultants supported a technical team formed by six Human Resources Department personnel, including the Manager of DFDMH and the Manager of the Performance Evaluation Unit, who acted as team coordinator. The consultants and team designed the implementation plan, the schedule for the five human resources subsystems, and the new Human Resources Department organization structure.
2. **Implemented workshops on HR evaluation applying competencies** – Workshops on applying the competencies in performance evaluation were delivered to technical staff of the eight MOF Directorates. The 20 staff who participated had the best knowledge and command of the duties performed in the specific unit.
3. **Launched the pilot program for the new MOF human resources evaluation system** – During the quarter, a performance evaluation pilot was developed and undertaken by the Human Resources Department Performance Evaluation team with the participation of the functional unit technical staff subjected to the evaluation. The Directorate participating in the pilot was the DGT.
4. **Reached an agreement with the MOF Directorates on the MOF fiscal transparency portal data** – FPEMP obtained the agreement of the revenue and expenditure areas regarding the data that will be loaded onto the fiscal transparency portal.
5. **Established the DFDMH computer lab** – FPEMP set up the DFDMH computer lab. The program provided video and sound equipment, 40 desktops, 40 chairs, and 40 desks. The lab will support all training due to the new budget program, results-oriented budgeting, and budget M&E methodologies.
6. **Improved the DFDMH training rooms** – In addition to the computer lab, FPEMP improved the other six DFDMH training rooms by providing video and sound equipment and chairs.

- 7. Continued to strengthen DFDMH** – The FPEMP Capacity Building Expert continued to support the strengthening of DFDMH. The program assessed progress on the training curricula and the design of training courses for all Directorates. Among the recommendations given were that DFDMH has to comply with the implementation of the training curricula developed by FPEMP consultants. Recommendations also addressed the important MOF HR achievement in applying the competency methodology, which is followed by most Latin America countries. Finally, DFDMH has advanced in the areas of training program formulation, course planning and design, and training the trainers in competency-based evaluation methodology.
- 8. Presented the new MOF HR system to the MOF Directors and MOF Union Board** – FPEMP in coordination with the MOF HR Department presented the new HR system to the MOF Directors and MOF Union Board. The presentation took place in November and among those participating were the MOF Directors and Deputy Directors and MOF Union Board Members. The Directors agreed to support the implementation of the new HR system.
- 9. Provided technical support to the new MOF HR system implementation start-up** – To implement the new MOF HR system, FPEMP supported the HR Directorate in the formulation of the implementation plan. FPEMP contributed to the formulation of the processes and procedures for each component of the HR system, including performance evaluation, personnel development and training, personnel recruitment, career plans, and acknowledgment. The implementation plan was established for the next 24 months, and a pilot performance evaluation was undertaken. Additionally, the MOF Technical Competency Committee was formed with two members from each Directorate as a link with the HR Technical Team for the implementation process.
- 10. Selected the web graphic design company to modernize the fiscal transparency portal** – FPEMP selected the web graphic design company that will modernize the fiscal transparency portal design.
- 11. Organized the Trilateral Cooperation Conference and Workshop on fiscal transparency** – FPEMP in coordination with the USAID Contracting Officer Representative and USAID Economist Kail Padgitt planned the activities for the Trilateral Cooperation Conference and Workshop on Fiscal Transparency. USAID, the Vice Minister of Finance, and the Brazilian Ambassador to El Salvador launched the Conference and Workshop. The activities took place in December, and the workshops were led by five Brazilian experts and attended by MOF Directors and technical staff from all Directorates.
- 12. Organized FPEMP activities for the PFG fair hosted by USAID** – FPEMP planned the activities for the PFG fair hosted by USAID. The objective of the PFG fair organized by USAID was to disseminate all projects' results contributing to PFG milestones.
- 13. Launched the Trilateral Cooperation on Fiscal Transparency** – The program launched the Trilateral Cooperation on Fiscal Transparency. The Salvadoran Minister of Foreign Relations, Brazilian Ambassador to El Salvador, USAID Deputy Mission Director, USAID Bilateral Program Director, COR, donors, MOF staff, the press, and five Brazilian Experts from the Brazilian Union Accountability Agency and the Brazilian MOF attended the event. The initiative involves the participation of the governments of the United States and Brazil in supporting the fiscal transparency modernization of the GOES.

- 14. Delivered workshops on fiscal transparency** – After the Trilateral Cooperation on Fiscal Transparency event, five Brazilian Experts from the Brazilian Union Accountability Agency and the Brazilian MOF led workshops on fiscal transparency. In attendance were 16 members of the MOF technical staff. The attendees learned about the Brazilian experience in developing fiscal transparency portals. Additionally, the Brazilian experts reviewed the work FPEMP is doing with the MOF in improving the fiscal transparency portal. They expressed that the task of developing the portal around the citizens’ needs for accurate and proper information is the correct way to proceed, and they agreed with the COP on the need to continue providing technical support throughout the year.
- 15. Launched the Fiscal Transparency Initiative for Municipalities** – The program launched the Fiscal Transparency Initiative for Municipalities, working in coordination with another USAID-funded project, Municipal Competitiveness. Technical staff from 18 municipalities, including 7 mayors, attended the event, and the 18 municipalities expressed their full commitment to the initiative. It is expected that the task of improving the MOF transparency portal to include the municipalities’ fiscal information will begin in the next quarter.
- 16. Participated in the PFG fair under the EXPRESATE center initiative** – The program participated in the PFG fair under the EXPRESATE center initiative. As part of the USAID dissemination of the PFG results, the program created a stand at which more than 400 visitors participated in recreational and informative activities on tax, revenue, and their importance in development and economic growth. Plays and gaming activities were implemented during the all-day fair, and all participants received small promotional items.
- 17. Established the MOF DFDMH computer lab** – The program established the DFDMH computer lab for the MOF. The computer lab includes 20 desktops, software, 40 computer desks, chairs, and video and sound equipment.
- 18. Training on civil society outreach strategies and programs** – In the framework of the trilateral cooperation, FPEMP and the Brazilian counterparts organized a workshop on Civil Society Outreach Strategy for Fiscal Transparency. The training was attended by the MOF, the Undersecretary of Transparency, the Ministry of Governance staff, Ministry of Education and the Institute of Access to Public Information.
- 19. Study tour on Fiscal Transparency to Brazil** - FPEMP in coordination with USAID, the US Embassy in Brazil, and the Brazilian Government organized an IVP to Brasilia to learn about the Brazilian Public Finance System and Fiscal Transparency experience. The training was attended by the DGCG Director, DGT Deputy Director, DINAFI Deputy Director, the MOF staff supporting the fiscal transparency portal modernization (three technicians), Martin Schulz from USAID, and the COP.

SUMMARY OF MILESTONES FOR YEAR FOUR

The following table presents the various milestones that are planned for Component C for the fourth year:

Table 8 – Component C Milestones

| Component C Milestones | Q1 | Q2 | Q3 | Q4 |
|---|----|----|----|----|
| Development of the MOF fiscal transparency portal | | | | |
| Development of the MOF fiscal transparency portal socialization strategy | | | | |
| Development of the fiscal transparency agreement between the MOF and municipalities | | | | |
| Development of a White Paper on Fiscal Sustainability Agreement for El Salvador | | | | |

SCHEDULE OF ACTIVITIES FOR YEAR FOUR

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

Table 9 - Component C Schedule of Activities

| Activities by Work Area | Q1 | Q2 | Q3 | Q4 |
|--|----|----|----|----|
| MOF fiscal transparency portal | | | | |
| Development of the MOF fiscal transparency portal | | | | |
| Continued support for the implementation of the MOF fiscal transparency portal | | | | |
| Design and implementation of the naturalized information in the MOF fiscal transparency portal | | | | |
| Civil society fiscal monitoring initiative | | | | |
| Development of the MOF fiscal transparency portal socialization strategy | | | | |
| Strengthen mechanisms for civil society participation in fiscal monitoring | | | | |
| Fiscal transparency initiative for municipalities project | | | | |
| Development of the fiscal transparency agreement between the MOF and municipalities | | | | |
| Development of the municipalities' fiscal transparency scope and commitment plan | | | | |
| Development of the fiscal transparency portal for municipalities in the MOF fiscal transparency portal | | | | |
| Development of the municipalities fiscal transparency dissemination strategy | | | | |
| Dissemination strategy of the MOF fiscal issues | | | | |
| Continued support for the EXPRESATE Center activities | | | | |
| Development and implementation of the EXPRESATE initiative including education on fiscal finances for high school attendants | | | | |
| Human resources system modernization | | | | |
| Continued support for the implementation of the HR management system | | | | |
| Continued support for the implementation of the gap analysis of the MOF technical profiles | | | | |
| Continued support for the formulation of curricula training plan of the MOF Directorates | | | | |
| DFDMH modernization project | | | | |

| | | | | |
|---|--|--|--|--|
| Continued support for the DFD modernization | | | | |
| Continued support for the formulation of the competency based training plan | | | | |
| Fiscal sustainability agreement White Paper project | | | | |
| Development of the fiscal sustainability agreement White Paper | | | | |
| Dissemination of the fiscal sustainability agreement White Paper | | | | |
| Support the MOF and the Technical Secretary of the Presidency in the Fiscal Sustainability Agreement implementation as requested by both entities | | | | |
| IT procurement for municipalities | | | | |
| Procurement of equipment for the municipalities to support the fiscal transparency initiative | | | | |

DISCUSSION OF TECHNICAL ASSISTANCE AREAS

The third year of Component C had important accomplishments that will contribute to a permanent private sector outreach strategy consolidation and the promotion of fiscal transparency. The program continued to support the EXPRESATE center activities, which reached more than 1,500 high school students from all over the country that visited the center and learned about fiscal issues and their links with economic growth and development, helping the GOES to advance its fiscal agenda and promote a fiscal culture in the young population.

In addition, the program participated in the Partnership for Growth fair promoted by USAID. FPEMP presented a roving version of the EXPRESATE reaching more than 800 men, women, adolescents and children, most of whom encountered fiscal information for the very first time, generating interest in learning about fiscal matters and their importance for general wellbeing.

The fiscal transparency portal reform and modernization project has continued during the third year. New data has been included, and the applications required for the fiscal transparency portal are in progressive development. A new portal design is being developed to make it more user-friendly and accessible, including the concept of naturalized language to reach the general population.

To promote and strengthen the fiscal transparency culture, a trilateral cooperation agreement was reached among the Governments of the United States, Brazil and El Salvador for technical cooperation in fiscal transparency matters, with the Ministry of Finance as the main recipient of this cooperation. This initiative is also extended to municipalities and to strengthening civil society monitoring mechanisms of the GOES investment and expenditures.

A Trilateral Fiscal Transparency Conference was launched as the starting point to the trilateral cooperation process, and technical workshops were carried out for MOF specialized staff with the participation of experts from Brazil.

Furthermore, the Fiscal Transparency Initiative for Municipalities was launched in coordination with the USAID-funded Municipal Competitiveness Project. For this purpose, a workshop was carried out with the attendance of 18 municipalities' representatives, including among them, 8

Majors. This initiative aims to promote the fiscal transparency at the municipal level to incorporate a municipal transparency portal with key municipal data as part of the MOF's FTP.

A fiscal transparency education and civil society participation workshop was assembled in coordination with the Under Secretary of Transparency and Anticorruption of the Presidency, to promote the CSO's participation into monitoring mechanisms of government expenditures and investments.

As part of the capacity-building efforts for the MOF's modernization, the program completed the competency-based HR system and its implementation plan, which was presented to the MOF authorities and the MOF Union Board. In addition, the program continued supporting the institutional strengthening process for DFDMH, which included the provision of training workshops to MOF staff for course design and curricula development, applying the competency-based methodology as well as training workshops to build up staff to implement the performance evaluation process in the eight General Directorates. The program also provided state-of-the-art audio and video equipment for both the training rooms and the computer laboratory, which was set up with computer equipment and furniture.

Given the Government's reluctance to promote a Fiscal Pact, a new initiative started with two other international donors to be presented to the new administration once it takes office. This new initiative presents a broader perspective on the country's fiscal situation and possible scenarios over a 10-year timeframe to reach a Fiscal Sustainability Agreement with the new administration, the private sector, and the civil society. The program in coordination with AECID and GIZ began the development of a white paper on fiscal sustainability agreement for El Salvador. FPEMP is developing the revenue component, GIZ the expenditure component, and AECID the introductory chapter with a deep analysis on the international experience on Fiscal Pacts and the current and future GOES fiscal scenario with no FSA in place.

MOF Fiscal Transparency Portal

During the fourth year, the program will continue providing support to the MOF fiscal transparency portal through the fiscal transparency trilateral cooperation initiative. It is expected that the portal will be operational by October 2014.

The activities for the fourth year are:

- Development of the MOF fiscal transparency portal
- Continued support for the implementation of the MOF fiscal transparency portal
- Design and implementation of the naturalized information in the MOF fiscal transparency portal

Civil Society Fiscal Monitoring Initiative

Within the framework of the Fiscal Transparency Trilateral Cooperation initiative, and coordinating with the Under Secretary of Transparency and Anticorruption of the Presidency, the Program will promote the participation of the civil society in monitoring efforts of government

expenditures and investment. Following the previous workshop on fiscal transparency education and civil society participation, a socialization strategy of the MOF's fiscal transparency portal will be developed to target the general population as well as CSOs to promote the use and understanding of the fiscal transparency portal. In addition, strengthening activities will be promoted among participating CSOs, including an exchange of knowledge and experiences and study visits to Brazil to promote monitoring mechanisms with the support of the Brazilian technical cooperation.

The activities for the fourth year are:

- Development of the MOF fiscal transparency portal socialization strategy
- Strengthen mechanisms for civil society participation in fiscal monitoring

Fiscal Transparency Initiative for Municipalities Project

During the fourth year, the Program will support the development and implementation of a Fiscal Transparency Portal for Municipalities. To achieve this, follow-up activities will be carried out, and a scope and commitment plan will be developed to promote the interest and participation of at least 10 municipalities during a first stage.

An agreement will be reached between the Ministry of Finance and the participating Municipalities regarding the development of a Fiscal Transparency Portal for Municipalities to post information regarding municipal investments and expenditures.

The MOF's fiscal transparency portal will host the Fiscal Transparency Portal for Municipalities. Technical assistance will be provided to define the information to be posted, formats, and portal design. The program will also provide assistance in the procuring of equipment, support and maintenance, and management of the portal to leverage the impact of the municipal fiscal transparency portal and to produce a scaled economy.

The general population and particularly the municipal constituents will access the information in the municipal fiscal transparency portal to monitor the municipalities' activities. To achieve this, a dissemination strategy will be developed in cooperation with the participating municipalities' information offices.

The activities for the fourth year are:

- Development of the fiscal transparency agreement between the MOF and municipalities
- Development of the municipalities fiscal transparency scope and commitment plan
- Development of the fiscal transparency portal for municipalities in the MOF fiscal transparency portal
- Development of the municipalities fiscal transparency dissemination strategy

Dissemination strategy of the MOF fiscal issues

During the fourth year, the EXPRESATE center will continue its activities and will incorporate the involvement of private high schools. To achieve this, a strategy will be developed to reach those private schools located in the metropolitan area of San Salvador. FPEMP will follow up on the activities and will promote their involvement to reach a broader dissemination of fiscal information and awareness of government fiscal activities among the youth population.

The activities for the fourth year are:

- Continued support for the EXPRESATE Center activities
- Development and implementation of the EXPRESATE initiative including education on fiscal finances for high school attendants

Human Resources System Modernization

FPEMP will continue supporting the implementation of the new competency-based HR management system in the MOF Human Resources Directorate that was developed according to the implementation plan. In addition, the program will continue supporting activities for the implementation of the gap analysis of the current MOF's Directorates staff through the performance evaluation process carried out by the Special Studies and Evaluation Unit, as well as training plans to bridge the gaps.

To respond to the MOF modernization process, follow-up activities will be implemented for the formulation of the training plans and the curricula training plan based on each module defined in the curricula matrix.

The activities for the fourth year are:

- Continued support for the implementation of the HR management system
- Continued support for the implementation of the gap analysis of the MOF technical profiles
- Continued support for the formulation of curricula training plan of the MOF Directorates

DFD Modernization Project

During the fourth year, the program will continue supporting the modernization process of DFDMH according to the established implementation plan. DFDMH has progressively been applying the competency-based model in the formulation of the training plan and curricula in the Course Formulation and Design Unit.

The program will implement activities that will follow up on the training plan provided to the MOF personnel within the career development sub-system in accordance to the new competency-based HHRR system and implementation plan.

The activities for the fourth year are:

- Continued support for the DFDMH modernization
- Continued support for the formulation of competency based training curricula

Fiscal Sustainability Agreement Project

The current administration did not advance the agenda for a fiscal pact. Nevertheless, it is anticipated that an opportunity will arise with the new Government once it enters office. A White Paper is under development to be hand over to the new Government, presenting an analysis of the fiscal trends over the past 10 years. Based on projections for a 10-year timeframe, it will include scenarios for investment, revenue and public debt to advocate for a fiscal sustainability agreement among the Government, the private sector and civil society.

The activities for the fourth year are:

- Development of the fiscal sustainability agreement
- Dissemination of the fiscal sustainability agreement
- Design and formulation of the agreement strategies

IT procurement for municipalities

To contribute to the Fiscal Transparency Portal for Municipalities, the program will provide support to the participant municipalities, including equipment, software and furniture.

The activities for the fourth year are:

- Procurement of equipment for the municipalities to support the fiscal transparency initiative

V. PERFORMANCE MONITORING & EVALUATION

The objective of the FPEMP monitoring plan 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 has an M&E specialist on staff whose responsibility is to collect performance data that FPEMP staff use to determine progress in achieving its objectives, milestones, results, and impact.

Additionally, FPEMP's Chief of Party, USAID, and the MOF technical assistance coordinator (DINAFI) will continue working as a technical committee to follow up on the program tasks. The COP will maintain a weekly check-in meeting with the Contracting Officer's Representative 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 third year's annual results report is scheduled for May 2014.

VI. PROGRAM CLOSING ACTIVITIES

During the last quarter of the year, the FPEMP team will work on the closedown process, developing the final report and completing tasks related to the ending of activities. Recommendations for future technical assistance for the MOF will be provided.

The program will also complete administrative activities. DAI will focus on the successful completion of technical contract delivery, confirm that all contractual requirements have been met, ensure compliance with USAID rules and regulations and DAI policies and procedures, and safeguard documentation required for a future final audit.

To ensure a successful closedown process, experienced and knowledgeable staff will be identified to take on specific roles associated with closedown. In accordance with DAI's closedown procedures, and pursuant to contract requirements in Section F.4 Reports, DAI will prepare and submit a Demobilization and Closedown Plan 90 days prior to the contract end date.