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El Salvador Fiscal Policy and Expenditure Management Program (FPEMP)

Quarterly Report

September 2014 – November 2014

December 2014

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FISCAL POLICY AND EXPENDITURE MANAGEMENT PROGRAM (FPEMP)

QUARTERLY REPORT

September 2014 - November 2014

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ACRONYMS

AECID	Spanish International Cooperation
AFI	Financial Administration
COMPRASAL	e-Procurement System
COP	Chief of Party
CSMS	Case Selection Management System
DAI	Development Alternatives Inc.
DGCG	General Directorate for Government Accounting
DGICP	General Directorate for Public Investment and Credit
DGII	General Directorate for Internal Revenue
DGP	Budget General Directorate
DGT	Treasury General Directorate
DINAFI	National Directorate for Financial Administration
DPEF	Fiscal and Economic Policy Directorate
FPEMP	Fiscal Policy Expenditure Management Program
GIZ	German International Cooperation
GOES	Government of El Salvador
IPSAS	International Public Sector Accounting Standards
IQC	Indefinite Quantity Contract
IVP	International Visitors Program
MOA	Ministry of Agriculture
MOE	Ministry of Economy
MOF	Ministry of Finance
MOH	Ministry of Health
OECD	Organization for Economic Co-operation and Development
PAAC	Procurement and Contracts Annual Programing
PPP	Public-Private Partnership
SAFI	National Financial Management System
TAIIA	Internal Revenue Appeal Court
UAAP	Hearings and Test Opening Unit
UNAC	MOF National Procurement Office
USAID	United States Agency for International Development

UTDD

Undersecretary of Territorial Development and Decentralization

Executive Summary

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

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

FPMP has three main components. These are:

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

Highlights for September to November 2014, the second quarter of year four, are listed below:

Quarterly results

- Developed and submitted the IPSAS adoption technical implementation plan
- Organized IVP to Peru to learn about budget execution best practices
- Obtained approval and political buy-in from the MOF to reform current budget practices that do not meet best practice standards
- Assessed and made recommendations to the budget formulation conceptual model and use cases design
- Began coordination of the SAFI II development
- Completed an assessment and recommendations on the PPP office implementation
- Delivered training on PPP
- Organized IVP to Colombia on PPP implementation
- Organized IVP to Argentina on implementation of the human resources payroll system
- Completed assessment of the DGA risk management matrix
- Supported deployment of CSMS II modules
- Supported completion of the CSMS II TAIIA module use cases design
- Obtained political buy-in supporting fiscal reforms for a fair tax system
- Delivered a presentation on fiscal policy strategies and experiences
- Obtained agreement with AECID on development of a tax reform proposal

- Completed upgrade of the fiscal transparency portal
- Launched the MOF fiscal transparency portal
- Completed an assessment and recommendations for the municipal fiscal transparency portal
- Organized IVP to Brazil on municipal fiscal transparency portal
- Participated in the Global Initiative for Fiscal Transparency conference in Costa Rica

Other Activities

- Developed IPSAS procedures and policy manual
- Supported implementation of DGP functional administrative reform
- Supported the MOA on development of budget programs
- Supported the MOE on development of budget programs
- Supported the MOH on development of budget programs
- Coordinated SAFI II development
- Designed accounting subsystem use cases
- Designed treasury subsystem use cases
- Designed budget execution use cases
- Developed legal reforms proposal for the AFI Law
- Supported design of use cases for COMPRASAL II
- Monitored web services implementation
- Monitored improvements of TCA procedures for DGII and Treasury General Directorate
- Developed CSMS II UAAP module
- Developed CSMS II contact center module
- Developed tax reform proposal
- Supported stabilization of the fiscal transparency portal
- Monitored EXPRESATE center activities
- Supported implementation of the MOF Human Resources system based on competencies

Introduction

This report covers FP EMP activities during the period of September 1, 2014 to November 30, 2014. The program began on June 10, 2011, when USAID and DAI signed the contract. The contract base period is for four years and includes an optional fifth year. Year four, as well as the contract's base period, will conclude on June 9, 2015.

USAID commissioned FP EMP to design and implement a program for modernizing and improving public expenditure management, tax policy and administration, and strengthen public-private sector dialogue in El Salvador. The program goals are to build a modern and transparent public expenditure system that follows the best international practices, to strengthen tax policy and administration, to improve revenue collection, and to facilitate private sector outreach.

FP EMP hereby presents the progress achieved during this quarter, according to the program's three components:

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

Component A – During the quarter, important progress was made with respect to public expenditure modernization. It is important to note that for the last three years the MOF has struggled with advancing development of the National Financial Management System (SAFI) II. In December 2013, the Vice Minister of Finance requested that FP EMP lead the support efforts for the system's development. FP EMP agreed to this, though would do so while adhering to the program's established standards and methodologies. The MOF agreed, and the program subsequently began development of the COMPRASAL II e-procurement system, as well as providing support for developing use cases design for the accounting subsystem, treasury subsystem, and budget execution module. By the end of November 2014, development had begun on the Procurement and Contracts Annual Programing (PAAC) module within the COMPRASAL II system. The use cases of the subsystems and budget execution module are in the final stage of design and will soon be ready to be delivered for software development.

The program delivered the International Public Sector Accounting Standards (IPSAS) adoption technical implementation plan to the General Directorate for Government Accounting (DGCG), providing a road map to the MOF on how to successfully implement IPSAS within the entire GOES.

FP EMP facilitated several International Visitors Programs (IVPs) in order to improve MOF technical capacity and ensure MOF staff are prepared to respond to new reforms. The program coordinated an IVP to Peru for seven persons on budget execution best practices with the participation of the Budget General Directorate (DGP) Deputy Director and two technical experts. Additionally, the Chief of Party (COP) requested support from the German International Cooperation (GIZ) for funding of three additional technical experts from DGP and National Directorate for Financial Administration (DINAFI).

The program also coordinated an IVP to Argentina on human resources payroll system best practices with the participation of the DINAFI Human Resources Coordinator and two technical experts.

The program coordinated an IVP to Colombia on Public Private Partnership (PPP) best practices with the participation of the General Directorate for Public Investment and Credit (DGICP) Director and two technicians.

To advance the implementation of a programmatic budget, during the quarter the program began providing technical support to the Ministry of Agriculture (MOA), Ministry of Economy (MOE), and Ministry of Health (MOH), on the design of budget programs. The new budget programs will help the GOES to focus and rationalize public resources. A new monitoring system will provide information to evaluate whether programs meet their intended impacts as well as allow the GOES to make evidence-based adjustments to spending.

The program finally obtained the approval and political buy-in of the MOF to provide support for reforming several budget practices that FP EMP had previously identified during assessments, some of which are unconstitutional and/or do not meet international best practices. The Vice Minister of Finance agreed on the need to modify these practices and to reform the current Financial Administration (AFI) Law (the Law that governs the Salvadoran public expenditure system). The program will begin to support the MOF with drafting the proposed legal reform for submission to the Salvadoran Legislative Assembly for approval.

FP EMP began the task of strengthening the Fiscal and Economic Policy Directorate (DPEF), providing training on PPP and planning the modernization of their facilities.

Component B – In regards of the development of the Case Selection Management System (CSMS) II, the program continued developing the modules of the Hearings and Test Opening Unit (UAAP) and the contact center module for the tax arrears collection. Additionally, the program supported the deployment of the selective audits and “*punto fijo*” modules.

The program continued supporting the task of assessing the General Directorate for Internal Revenue (DGII) risk management matrix and evaluated the software system that will be used for developing the matrix.

The use cases for the Internal Revenue Appeal Court (TAIIA) module were finished during the quarter and are ready to begin the software development.

The program recommended tax code reforms to the Vice Minister of Revenue that would remove several unconstitutional rules as well as provide measures for tax control and transfer pricing that would make the Salvadoran tax system more fair and progressive. The Vice Minister of Revenue agreed with the program proposal and requested that FP EMP support the drafting of the reform bill. During the following quarter the program will begin the task.

Finally, the COP presented at a conference at USAID Washington on Fiscal and Administrative Policy implementation, wherein he highlighted achievements of the Tax Policy & Administrative Reform project and FPEMP, as well as challenges faced during the course of implementation. The conference was attended by USAID, World Bank, International Monetary Fund and other international agencies.

Component C – During the quarter, the program completed the upgrade of the MOF fiscal transparency portal that was developed under the trilateral initiative supported by the Brazilian Government. The portal was launched on November 14th. Also under the trilateral initiative the program organized an IVP to Brazil on fiscal transparency best practices for municipalities. Participants included the Undersecretary of Territorial Development and Decentralization (UTDD), three UTDD officials, and the Deputy Director of the USAID Economic Growth Office. Finally, in coordination with the Brazilian counterparts, FPEMP provided technical assistance for improving the municipalities' portal, developed and administered by the UTDD.

The program continued working with the Spanish International Cooperation (AECID) and GIZ on a final draft of the fiscal sustainability white paper. It is expected that the paper will be submitted to the GOES by mid-February, 2015.

FPEMP continued supporting the implementation of the EXPRESATE center and continued monitoring its performance.

COMPONENT A: Public Expenditure Management

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

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

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

- **Developed and submitted the IPSAS adoption technical implementation plan** – The program finished the IPSAS adoption technical implementation plan and submitted it to the DGCG for review. The DGCG made some recommendations that were incorporated into the document, and the revised final version was submitted to the DGCG Director. The implementation will be challenging and will take a few years due to the poor accounting practices in place within the GOES
- **Organized IVP to Peru to learn about budget execution best practices** – The program coordinated an IVP to Peru on budget execution best practices. The DGP Deputy Director and two DGP technicians participated. They learned about budget execution legal frameworks, budget execution programming, spending commitments, and budget programming of fiscal goals. The program secured support from GIZ to provide funding for additional participants from DGP.
- **Obtained approval and political buy-in from the MOF to reform current sub-optimal budget practices** – As explained before, after a year of insisting that this critical matter be addressed, the program gained approval and political will from the MOF to eliminate some unconstitutional budget practices and to improve the budget formulation and budget execution systems. The program began drafting the AFI Law reform that will help modernize the system.
- **Assessed and made recommendations to the budget formulation conceptual model and use cases design** – FPEMP experts supported the assessment and recommendations of the budget formulation conceptual model and use cases design. The conceptual model contained issues related to the budget type of resources, type of budget classification, and budget execution units. The issues were resolved and the recommendations were included in the conceptual model and in the use cases design.
- **Began coordinating development of SAFI II** – During the quarter, the program's SAFI II project manager began coordinating development of the system. The expert will work for the program until May 2015 and will then be hired by other donor. Until then he will prioritize development of the SAFI II financial core integrated by the budget, treasury, and accounting subsystems.

- **Developed an assessment and recommendations document on the PPP office implementation** – During the quarter, the program’s PPP expert visited El Salvador Investment and Exports Promoter (PROESA), DGICP, DPEF, Autonomic Ports Executive Commission (CEPA) and the Presidency Technical Secretary Office to assess and make recommendations on implementation of the PPP office. The assessment included a Strengths, Weaknesses, Opportunities, and Threats analysis and the main recommendations were: 1) link the PPP system with COMPRASAL; 2) develop the PPP conceptual model management; 3) establish the duration of the contracts and fiscal responsibility law; and 4) establish the location of the Cash Fund.
- **Delivered training on PPP** – The program delivered three days of training on PPP. Attendees included officials from El Salvador Investment and Exports Promoter (PROESA), DPEF, and DGICP. Participants learned about the definition and importance of PPP, participation of private and public sector, PPP features, PPP modalities, incentives, key sectors, legal requirements, international experience, and monitoring and evaluation activities.
- **Organized IVP to Colombia on PPP implementation** – The program coordinated an IVP to Colombia on PPP best practices which was attended by the DGICP Director and two DPEF technical experts. The study tour covered the importance of PPP, as well as the legal frameworks, institutional requirements, approval processes, and risks that pertain to PPPs. Lastly, the program also discussed the Colombian experience with PPPs.
- **Organized IVP to Argentina on the human resources payroll system implementation** – The program coordinated an IVP to Argentina on the implementation of the human resources payroll system. The DINAFI human resources coordinator and two technical experts attended the study tour. The program focused on the human resources programmatic structure, the presentation of human resources budget to congress, the formulation of human resources budget, and institutional profiles.

ACTIVITIES/WORK IN PROGRESS

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

- **Development of the IPSAS procedures and policy manual** – The program continued developing inputs for the IPSAS procedures and policy manual while designing the use cases of the accounting subsystem.
- **Support for the implementation of the DGP functional administrative reform** – The program submitted the DGP functional administrative reform validated by the DGP technical staff in February. The program is still waiting for approval from the DGP Director to prepare the agreement that will be signed by the Vice Minister of Finance.
- **Support the development of the budget programs for the MOA** – The program began providing support to the MOA on developing budget programs. An STTA technical expert met with officials from the MOA and the DGP to analyze budget programs proposal and to begin the design of the logical frameworks. It is important to note that the MOA’s attention

was focused on their annual report and sector Five Year Plan at the time. As a result, these issues have delayed the program's work.

- **Support the development of the budget programs for the MOE** – The program began providing support to the MOE on developing budget programs. An STTA technical expert met with officials from the MOE and the DGP to analyze the first budget programs proposal and to begin the design of the logical frameworks. The work team reviewed possible cost structures and identified possible indicators. The work will continue with the design of budget programs for other economy sector institutions.
- **Support the development of the budget programs for the MOH** – The program began providing support to the MOH on developing budget programs. Experts met with officials from the MOH and the DGP. It is important to note that the MOH stated that their technical budget program design team was not ready. Despite this, the experts developed a situation assessment and presented it to the MOF and FP EMP to solve the issues. The MOH expressed that the team will be formed by the beginning of December.
- **Coordination of SAFI II development** – The program began coordinating development of the SAFI II system. FP EMP experts developed the work plan; coordinated the use cases design of budget, accounting, treasury, investment, procurement and human resources subsystems; coordinated information technology tasks with DINAFI; developed the project chronogram; identified critical tasks; and supported the creation of the scope of work for the Software Company that DINAFI will contract for software development.
- **Accounting subsystem use cases design** – FP EMP's public accounting experts and DGCG use cases design team have completed 91 use cases of a total of 158. The work will continue and it is expected that the first part of the use cases will be finished at the end of December. The second phase involves the accounting event matrix use cases design.
- **Treasury subsystem use cases design** – FP EMP's treasury experts and the Treasury General Directorate (DGT) use cases design team has completed 80 use cases of a total of 115. It is important to note that the work team has validated 80 use cases previously developed by FP EMP experts. After validation, the team identified 35 additional use cases. It is expected that the use cases will be finished by the end of December.
- **Budget execution use cases design** – FP EMP's budget experts and the DGP use cases design team have completed 26 use cases of a total of 48. It is important to note that the expert has worked to solve key conceptual issues regarding the budget type of resources and budget execution units that were not clearly defined in the budget formulation use cases. It is expected that the use cases will be finished by January.
- **Proposed reforms to the AFI Law** – The program began developing a set of proposed reforms to the AFI Law. The expert is reviewing all the current legal norms and analyzing all the new requirements (organizational, legal and technical) presented in all the SAFI II subsystems conceptual models. This work will continue next quarter.
- **Support for the COMPRASAL II use cases design** – The program continued supporting the MOF National Procurement Office (UNAC) staff in the use cases design for COMPRASAL II. Currently, the MOF team is designing the "*libre gestion*" module use

cases that are expected to be finished next quarter. After completion, the team will continue with the “*licitaciones*” module use cases design.

NEXT STEPS

Main activities for the next quarter include:

- **Development of the IPSAS procedures and policy manual** – Based on the inputs obtained from the use cases design for the public accounting subsystem, the program will begin development of the IPSAS procedure and policy manual.
- **Accounting event matrix use cases design** – In the next quarter, the program will begin design of the accounting event matrix use cases. Three experts will work on the task and will deliver a presentation on the matrix by mid-May to the DGCG team.
- **Continue supporting DGP functional administrative reform** – The program will follow up with the DGP Director to strongly advocate for approval of the DGP functional administrative reform model submitted in February. Once approved, the program will work on the agreement to be signed by the Vice Minister of Finance, as well as the detailed implementation plan.
- **Continue supporting the MOA with budget programs design** – The program will continue supporting the MOA on budget programs design. The first proposal is targeted for completion at the end of January.
- **Continue supporting the MOE with budget programs design** – The program will continue supporting the MOE on budget programs design. The first proposal is targeted for completion at the end of January.
- **Continue supporting the MOH with budget programs design** – The program will continue supporting the MOH on budget programs design. The first proposal is targeted for completion at the end of January.
- **Continue coordinating SAFI II development** – In continuing to support the coordinated development of the SAFI II, in the next quarter the program expects to develop the scope of work for the SAFI II IT architect and IT infrastructure experts, coordinate the IT requirement definitions to implement SAFI II in public institutions, develop the final SAFI II chronogram, and begin coordinating software development of the SAFI II financial core.
- **Completion of the accounting subsystem use cases design** – During the next quarter, FPMP’s public accounting experts and DGCG team will complete the accounting subsystem use cases design for the following components: link with other subsystems, institutional accounting, and accounting auxiliary assistants.
- **Completion of the treasury subsystem use cases design** – During the next quarter, FPMP’s treasury experts and DGT team will complete the treasury subsystem use cases design for the following components: revenue, expenditures (including institutional treasury), bank conciliations, petty cash, and credit notes.

- **Completion of the budget execution use cases design** – During the next quarter, FPEMP’s budget experts and DGP team will complete the budget execution use cases design for the following components: budget financial programming, budget modifications, and budget execution.
- **Begin the software development of the SAFI II treasury subsystem** – The program will begin the software development of the SAFI II treasury subsystem. The first component planned for development is revenue.
- **Support software code generation of the SAFI II accounting and budget subsystems** – After completion of the use cases during the next quarter, the program will support the software code generation of the accounting and budget subsystems.
- **Continue development of proposed reforms to the AFI Law** – In the next quarter the program will continue developing proposed reforms to the AFI Law. The proposal is expected to be presented by the end of February. Additionally, the program will support the MOF presenting such reforms to the Legislative Assembly.
- **Development of the COMPRASAL II “*libre gestion*” module** – The module use cases will be completed during the next quarter. After completion, the program will begin the software development of the business rules and screens.
- **Continue supporting the COMPRASAL II use cases design** – The program will begin supporting the development of the “*licitaciones*” module use cases.
- **IVP to Chile on the implementation of the ChileCompra e-procurement system** – The program will coordinate an IVP to Chile to learn about implementation of the Chilean e-procurement system—ChileCompra. The UNAC Acting Manager and two UNAC technical experts will attend. The program will focus on the design and implementation of the ChileCompra system, regulations and policies, legal and technical issues, Indefinite Quantity Contracts (IQC) management, IQC’s awarding process, economic aspects of IQC’s, and other related topics.

COMPONENT B: Tax Revenue Mobilization

FPMP aims to develop a strong, modern Salvadoran tax administration that is more equitable, efficient and taxpayer-friendly.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

FPMP accomplished several important tasks within Component B during the quarter, including:

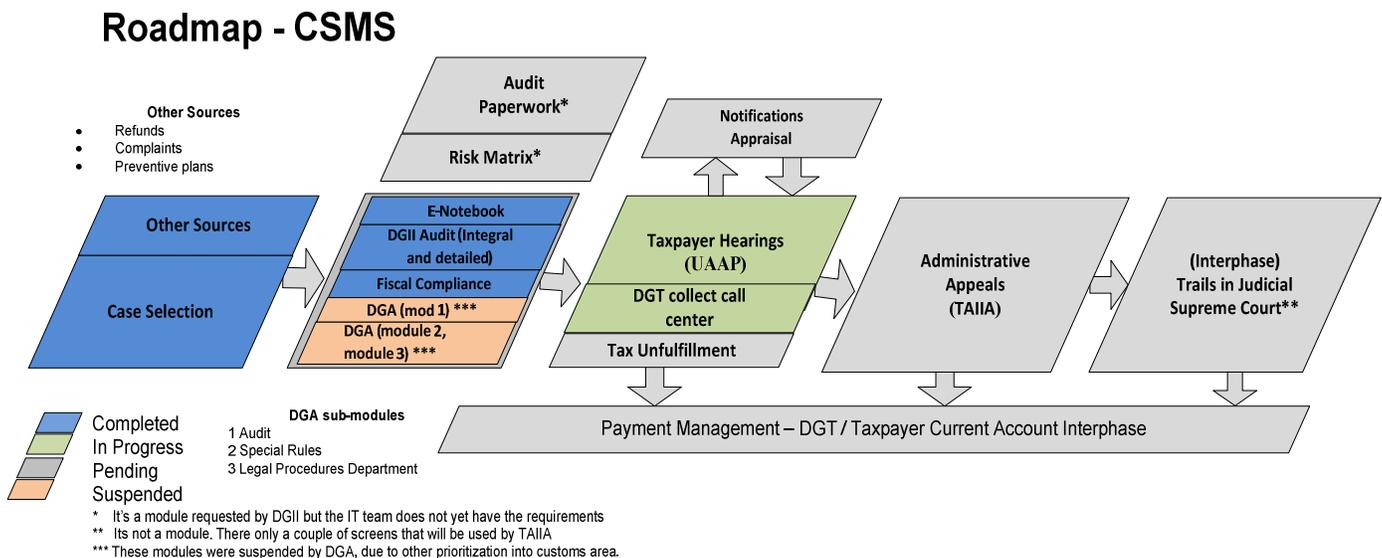
- **Completed an assessment of the Customs General Directorate risk management matrix** – The program completed an assessment of the Customs General Directorate risk management matrix. The recommendations were submitted to the GIZ, DGII risk management matrix development coordinator. The matrix will be used as input for the DGII risk management matrix that will be included in the CSMS II.
- **Supported the deployment of CSMS II modules** – During the quarter, the program supported the DGII to deploy two additional CSMS II modules: the “*selective audit*” module in the area of portfolio management and the “*punto fijo*” module.
- **Supported the completion of the CSMS II TAIIA module use cases design** – During the quarter, the program supported the completion of the CSMS II TAIIA module use cases design. The DGII had previously delivered use cases that needed adjustments which the FPMP helped modify and finalize.
- **Obtained political will for reforms that will create a more fair tax system** – FPMP’s COP proposed the development of a fiscal reform proposal to the Vice Minister of Revenue that would eliminate unconstitutional regulation, incorporate strong statutory power for the tax administration to properly and efficiently collect taxes, and incorporate regulations that would punish tax evasion. The Vice Minister of Revenue agreed with the proposal and the program will assist with developing such reform proposal during the following quarter.
- **Delivered a seminar on using data and tools to measure tax system performance** – The COP presented at a seminar in Washington D.C. on November 6, 2014 on FPMP’s experience with measuring tax system performance, wherein he discussed the use of metrics, measuring performance, monitoring and evaluation approaches, and results of the FPMP and Tax Policy & Administrative Reform project. The FPMP case study followed a presentation by the International Monetary Fund on measuring performance of tax administrations. Attendees included experts from USAID, World Bank, International Monetary Fund, and other international agencies.
- **Obtained agreement with AECID on development of tax reform proposal** – The program proposed the possibility of working together with AECID on fiscal reform. The COP explained that AECID could develop an analysis of the current tax benefits systems in El Salvador as well as recommendations for how to make the system more fiscally efficient. They agreed on the proposal and will coordinate work on this task.

ACTIVITIES/WORK PROGRESS

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

- **Web services implementation monitoring** – The project continued monitoring the web services implementation. The web services are a key component in the effort to keep the Taxpayer Current Account from becoming contaminated or out of date again. The project has faced several problems due to the slow pace at which banking institutions have pursued reforms needed to connect their systems with the MOF web services. The MOF expects to have all the banks working with the system by the end of December.
- **Improvements of Taxpayer Current Account procedures for DGII and DGT monitoring** – The Tax Information System migration is in process. The MOF stated that they are stabilizing the system. The process will last a few more months, given that the government has introduced new taxes.
- **Development of the CSMS II UAAP module** – The program continued developing the CSMS II UAAP module. DGII is expected to begin testing the module in December or January.
- **Development of the CSMS II contact center module** – The program continued developing the CSMS II contact center module. The contact center is responsible for collecting tax arrears. DGII is expected to begin testing the module in December or January.

Figure 1. The roadmap to the CSMS II: audit and controls flow chain



- **Development of the tax reform proposal** – The program began work on the tax reform proposal which was agreed to by the Vice Minister of Revenue.

NEXT STEPS

The main activities for the next quarter include:

- **Continue monitoring the Web services implementation** – The program will continue monitoring the banking institutions’ web services implementation until it is fully complete.
- **Continue monitoring the improvements of Taxpayer Current Account procedures at DGII and DGT** – The program will continue monitoring improvement of procedures at the DGII and DGT. After this, FPEMP will assist with improving the application design.
- **Continue developing the CSMS II UAAP module** – The program will continue developing the CSMS II UAAP module. It is expected that during the following quarter the first components of the module will be finished.
- **Continue developing the CSMS II contact center module** – The program will continue developing the CSMS II contact center module. The contact center is responsible for collecting tax arrears.
- **Income tax audit training** – The training was scheduled to be delivered during this quarter, though did not happen due to schedule conflicts. It is expected that the training will take place during the following quarter.
- **Development of the tax administration tax control capacity assessment and recommendations** – The program will assess the current tax administration tax control capacity. This assessment will feed recommendations made to the Vice Minister of Revenue on actions required for improving tax administration as well as any necessary operational and administrative reforms.
- **Deliver presentations on Best Practices in Fiscal Reform at High-Level Organization for Economic Cooperation and Development (OECD) Event**– FPEMP’s COP will assist to the meeting on Task Force on Tax and Development. The event will take place in Paris on December 12. At the Task Force meeting, COP Enrique Giraldo will showcase evidence on sustained assistance to build El Salvador’s tax system, including DAI’s assistance to El Salvador in the past decade with helping raise tax revenue from less than 12 percent of GDP in 2004 to nearly 16 percent of GDP in 2014 through the 2005–2010 TPAR program and the 2011–2015 FPEMP program.

COMPONENT C: Private Sector Outreach

FPEMP continued supporting the MOF in the implementation of strategies to improve fiscal transparency as well as facilitate civil society and private sector outreach. It is critical that transparency be increased as well as proper space created for civil society to interact with the GOES on the issues of tax collection and public expenditure.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

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

- **Completed the upgrade of the fiscal transparency portal** – During the quarter, the program completed upgrades to the fiscal transparency portal, including dynamic data on revenue, debt, and public investment. The portal was made to be more user-friendly and now includes more accessible language for the average citizen.
- **Launched the MOF fiscal transparency portal** – The program launched the new MOF fiscal transparency portal in coordination with the MOF and the Brazilian Government. Attendees of the launch event included the Brazilian Ambassador to El Salvador; the Brazilian Transparency and Social Control Director; the Vice Minister of Finance; the Salvadoran Citizen Participation, Transparency and Anticorruption Secretary; the Director of the USAID Economic Growth Office; other USAID authorities; MOF authorities; civil society representatives; and the press.
- **Developed an assessment and recommendations for the municipalities fiscal transparency portal** – The program completed an assessment and recommendations for the municipalities fiscal transparency portal (<http://sigm.gob.sv>) implemented by the UTDD. The recommendations included some IT tools and mechanisms to improve the portal navigation.
- **Organized IVP to Brazil on the municipalities fiscal transparency portal** – The program coordinated an IVP to Brazil on the municipalities fiscal transparency portal. The UTDD Director and three technicians attended the study tour. The program focused on the importance of society in monitoring public expenditures, the background and lessons learned in the development of fiscal transparency portals, fiscal transparency systems, the legal framework of fiscal transparency, and the optimization of citizen participation in the use of fiscal transparency portals and reports.
- **Participated in the Global Initiative for Fiscal Transparency conference in Costa Rica** – The program and two MOF officials participated in the Global Initiative for Fiscal Transparency conference. The conference focused on the open budget index, open data, transparency challenges, and sharing fiscal transparency experiences in Costa Rica, Brazil, Mexico, Paraguay, Guatemala, and El Salvador. The team presented the experience with the trilateral fiscal transparency initiative.

ACTIVITIES/WORK PROGRESS

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

- **Support the fiscal transparency portal stabilization** – Although the fiscal transparency portal has launched, improvements are ongoing. In this quarter, FPMP continued supporting the portal stabilization process, in particular issues related to the process of data upload.
- **Monitoring of EXPRESATE center activities** – FPMP continued to monitor activities in support of the tax awareness program for youth through the MOF's EXPRESATE center. To date, 3,704 students have visited the center, including 2,023 females.
- **Support for the implementation of the MOF human resources system based on competencies** – The program continued monitoring the implementation of the HR system, as well as the training program and curricula developed for the MOF with FPMP's assistance.

NEXT STEPS

The main activities for the next quarter include:

- **Continue supporting the fiscal transparency portal stabilization** – The program will continue supporting the fiscal transparency portal stabilization.
- **Continue monitoring EXPRESATE center activities** – The program will continue monitoring the EXPRESATE center activities.
- **Continue supporting the implementation of the MOF human resources system based on competencies** – During the following quarter, the program's training and HR expert will assess implementation of the HR and training system. This assessment will then be shared with the Vice Minister in order to improve the implementation pace.
- **Participate in the world conference on anticorruption and transparency in Brazil** – In coordination with the MOF and USAID El Salvador, the program will participate in the world conference on anticorruption and transparency in Brazil. At the conference the MOF will present the experience with the trilateral fiscal transparency initiative.
- **Participate in the OECD symposium on anti-corruption development assistance** – The COP will participate in the OECD symposium on anti-corruption development assistance. It is of great interest for the OECD and the other participants such as the United Nations Office on Drugs and Crime, Brazilian General Office Controllers Union, the UK Department for International Development, and the New Partnership for Africa's Development to know the experience of the governments of El Salvador, Brazil, and the United States under the Trilateral Initiative on Fiscal Transparency.

MOF's Progress towards GOES Goals

The USAID contract mandates that FPMP/DAI report on the GOES progress toward the following targets on a quarterly basis:

GOES Target	Progress
Build the foundations to move from the current budget system to a Results-Oriented Budget system for Health, Agriculture and Economy	The DGP assigned the sectorial technicians to support FPMP experts in the technical assistance that is being provided to the MOE, MOA, and MOH on designing budget programs.
Implement a fully operational TSA	DGT continues implementing the Treasury Single Account and now has 27 entities integrated. DGT in coordination and with the support of FPMP is making the final adjustment to the treasury subsystem use cases.
Develop and implement the SAFI II	As agreed with the Vice Minister of Finance, the system will be developed following FPMP standards and strategies. DGT, DGCG, DINAFI, and DGP assigned a full-time team to support the SAFI II use cases design. The use cases design teams continued with the task.
Develop and implement an e-Procurement System	The UNAC assigned a full-time team to support the development of the COMPRASAL II use cases. The UNAC, in coordination with FPMP, delivered training to 120 municipalities on the new PAAC module.
Increase tax revenues by 2.0 percent of GDP by 2015	The program has now completed 80 percent of the entire CSMS II system. DGII supported the system implementation and is moving forward in the improvement of the tax control with the new modules.
Develop new scenarios for private sector and civil society participation in fiscal matters and new transparency and accountability practices	The MOF provided full support for the development of the new fiscal transparency portal. The new portal was launched on November 14 th .
Successfully implement current and future tax reforms	The Vice Minister of Revenue agreed on the development of fiscal reforms that will make the Salvadoran tax system more fair and efficient.

FPEMP's Progress Report – Performance Indicators

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

FPEMP result	FPEMP progress
COMPONENT A	
1. At least twenty-five Public Sector Institutions using multiyear Results-Oriented Budgets by the end of the project	The program began providing support to the MOH, MOE, and MOA on designing new budget programs and defining the output goals necessary for the proper results-oriented budget system.
2. Treasury enabled to make electronic payments on behalf of GOES entities by the end of the project	After validating the preliminary treasury subsystem use cases, the project continued supporting the design of the remaining use cases. The task was expected to be finished during the quarter but due to the complexity of the work it will be finished during the following quarter.
3. A strengthened MOF Budget-Planning Unit by increasing the knowledge and IT resources of each unit	The program continued designing the use cases of the budget execution module with support of the DGP teams. Additionally, the program coordinated an IVP to Peru on budget execution best practices attended by the DGP Deputy Director and two technical experts. Additionally the project requested that GIZ fund three more experts to attend the training, to which they concurred.
4. Six hundred MOF personnel trained in modern expenditure system management techniques by the end of the project	The program is continuously supporting the budget execution use cases design. The budget expert delivered extensive training to the DGP staff on modern budget formulation and execution practices. Additionally, the program coordinated an IVP to Peru on budget execution best practices.
5. Support the MOF in the migration from SAFI to SAFI II	The program began coordinating development of the SAFI II system and continued working on the use cases design for the accounting and treasury subsystems, as well as the budget execution and budget formulation modules.
6. Introduce and promote implementation of IPSAS	The program delivered the final document of the IPSAS adoption implementation program. It is expected that the activities recommended in the program will begin during the following year.
7. A functional web-based Public Expenditure Tracking System available to the public.	The program finished development of the new MOF fiscal transparency portal. The new

	portal improves the active transparency inside the GOES and promotes civil society participation and understanding of fiscal matters. The new portal was launched on November 14 th .
COMPONENT B	
8. Up-to-date, consistent and clean Taxpayer Current Account (with modern database management guidelines)	The program completed the cleaning of a total of 21,523 taxpayer current accounts and supported the GOES institutionalization of the taxpayer current account cleaning. Since mid-January, the MOF has performed this cleaning as part of its regular operations.
9. Up-to-date, consistent and clean Taxpayer Registration System (with modern database management guidelines)	The program completed the cleaning of a total of 7,730 taxpayer's registration accounts and supported the GOES institutionalization of the taxpayer registration system cleaning. Since mid-January, the MOF has performed the cleaning as part of its regular operations.
10. Up-to-date, consistent and updated Case Selection Management System (with modern database management guidelines)	The program deployed the " <i>selective audit</i> " and " <i>punto fijos</i> " modules and continued the development of the UAAP and contact center module. The program has now completed more than 80 percent of the entire system.
11. An automated functional system, which reconciles the taxpayer database on a periodic basis	The program continued monitoring the taxpayer current account and taxpayer registration system migration, the tax returns reception, and tax payment web services implementation. These will help the MOF to address the structural conditions that negatively impact the applications.
12. No less than 300 MOF personnel trained to effectively apply the fiscal reforms in order to generate the expected additional income	During the third quarter, FPEMP provided support to the DGII in the training of year 2011 fiscal reforms to 83 MOF personnel. The program will continue to support fiscal reforms dissemination.
13. Provide technical support in the strengthening of the Large Taxpayer Unit areas of income tax and transfer pricing audit techniques	In previous quarters, FPEMP supported the creation of the new large taxpayer office, the front and back office for the large taxpayers, the kiosk system and the strengthening of the audit skills of the large taxpayer office.
COMPONENT C	
14. No less than 60 private sector actors, at all levels, assisted to better understand the new fiscal reforms passed in December 2011	During the program's third quarter, FPEMP provided support to DGII in the training of the year 2011 fiscal reforms to 1,114 taxpayers. The program will continue to support fiscal reforms dissemination.

<p>15. Effective promotion leading to the establishment of a public private commission by Salvadoran actors, with the goal of monitoring on yearly basis the approved budget versus actual GOES expenditures</p>	<p>FPEMP completed the development of the new MOF Fiscal Transparency Portal and launched it on November 14th. The white paper on fiscal sustainability developed in coordination with GIZ and AECID was finished and is ready for final revision and submission to the GOES.</p>
<p>16. Development of a Fiscal Transparency Policy with the MOF and GOES</p>	<p>The program continued with the trilateral initiative on fiscal transparency in coordination with the governments of Brazil, the United States, and El Salvador. The MOF new portal was finished and was launched in November. Additionally the program continues supporting the municipal transparency initiative, and in that regard a study tour to Brazil was coordinated in November.</p>
<p>17. A functional state of the art in-house training program to provide MOF personnel with continuous up-to-date techniques and technical knowledge</p>	<p>The program continued to monitor the implementation of the human resources system based on competencies and the implementation of the computer lab.</p>
<p>18. GOES assisted and facilitated discussions with the private sector in forging a new fiscal pact to increase resources to address the pressing social and economic needs of the country</p>	<p>FPEMP took the initiative to coordinate efforts with AECID and GIZ to work on a fiscal pact proposal for the new government. The program completed the development of the revenue chapter of the white paper, and AECID completed their chapter. GIZ will complete its component and consolidate the proposal during the quarter. During the following quarter the paper will be submitted to GOES.</p>