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# El Salvador Fiscal Policy and Expenditure Management Program (FPEMP)

## Quarterly Report

December 2014 – February 2015

March 2015

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

## **QUARTERLY REPORT**

**December 2014 - February 2015**

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## ACRONYMS

AECID	Spanish International Cooperation
AFI	Financial Administration
COMPRASAL	e-Procurement System
CSMS	Case Selection Management System
DAI	Development Alternatives Inc.
DGCG	General Directorate for Government Accounting
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
FP EMP	Fiscal Policy Expenditure Management Program
GIZ	German International Cooperation
GOES	Government of El Salvador
IPSAS	International Public Sector Accounting Standards
IQC	Indefinite Quantity Contract
IT	Information Technology
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 Programming
SAFI	National Financial Management System
SIGMUNI	Municipalities Information 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 (FPEMP) 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.

FPEMP 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 December 2014 to January 2015, the third quarter of year four, are listed below:

### Quarterly results

- Completed the budget programs design for the Ministry of Economy (MOE)
- Completed the budget programs design for the Ministry of Agriculture (MOA)
- Completed the budget programs design for the Ministry of Health (MOH)
- Developed the budget commitments implementation strategy
- Completed the accounting subsystem use case design
- Completed the treasury subsystem use case design
- Began the treasury subsystem software development
- Completed the budget execution module use case design
- Completed the budget formulation module use case design Information Technology (IT) requirements validation
- Began the budget formulation module code generation
- Procured office furnishing for the Economic and Fiscal Policy Directorate (DPEF)
- Organized International Visitors Program (IVP) to Chile on the implementation of the ChileCompra e-procurement system
- Trained the central government entities and municipalities procurement office staff on e-Procurement System (COMPRASAL) II Procurement and Contracts Annual Programming (PAAC) module
- Deployed the COMPRASAL II PAAC module in production environment

- Developed the tax administration tax control capacity assessment and recommendations
- Presented the tax administration tax control capacity assessment and recommendations to the Minister of Finance and Vice Ministers
- Obtained approval from the Minister of Finance on the MOF tax control enforcement implementation
- Presented the fiscal sustainability agreement to the donor community
- Delivered a conference to the Organization for Economic Co-operation and Development (OECD) tax and development commission summit on tax policy project implementation
- Assessed the progress in the Human Resources (HR) competency based system implementation
- Developed the data loading strategy for the Municipalities Information System (SIGMUNI)
- Obtained agreement with the Undersecretary and the MOF on the data loading strategy for the SIGMUNI
- Participated in the world conference on anticorruption and transparency in Brazil
- Participated in the OECD symposium on anti-corruption development assistance

### Other Activities

- Coordination of the National Financial Management System (SAFI) II development
- Training and coaching to National Directorate for Financial Administration (DINAFI) IT staff on FPEMP software development strategy
- Treasury subsystem software development
- Budget execution module use cases design IT requirements validation
- Budget formulation module code generation
- Development of COMPRASAL II
- Use cases design of the COMPRASAL II “*libre gestion*” module
- Support to the COMPRASAL II PAAC module deployment
- Development of the proposal for the reform of the Financial Administration (AFI) Law
- Web services between the MOF and banks implementation monitoring
- Improvements of Taxpayer Current Account (TCA) procedures for General Directorate for Internal Revenue (DGII) and Treasury General Directorate (DGT) monitoring
- Development of the Case Selection Management System (CSMS) II UAAP module
- Development of the CSMS II contact center module
- Support the Internal Revenue Appeals Court (TAIIA) use cases design
- Development of the tax reform proposal
- Support the fiscal transparency portal stabilization

- Monitoring the EXPRESATE center activities
- Develop the data loading software of the SIGMUNI
- Support the implementation of the MOF HR system based on competencies

## Introduction

This report covers FP EMP activities during the period of December 1, 2014 to February 28, 2015. The program began on June 10, 2011. 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, FP EMP achieved the following:

- Continued supporting the MOF on implementation of the public expenditure modernization agenda. The program supported the MOE in the development of the budget program design in order to prepare the ministry for the implementation of the new budget system. The MOE was willing to adopt FP EMP's recommendations and fully supported the task, developing a notable budget programs design. Additionally, the MOE in coordination with FP EMP developed a seminar to present the technical assistance results and the budget programs to the Minister of Economy, Vice Ministers, executive staff of the MOE and FP EMP staff.
- Supported the MOA in the development of the budget program design in order to prepare the ministry for the implementation of the new budget system. The situation of the MOA was very similar to that of the MOH; they were initially reluctant to adopt the standard methodology approved by the MOF. The program experts insisted that it was critical to follow the standard and best practices for the budget program design. Finally, they agreed in adopting some recommendations, but they are still far from the best international practices. The program experts developed a report that highlighted the problems in the MOA adoption model and submitted it for consideration to the MOF.
- Supported the MOH in the development of the budget programs design in order to prepare the ministry for the implementation of the new budget system. The minister was reluctant to adopt the standard methodology approved by the MOF, but again the program experts insisted that it was critical to follow the standard and best practices for

the budget program design. In the end, the MOH refused to adopt the MOF and FPEMP recommendations. The program experts developed a report that highlighted the problems in the MOH adoption model and submitted it for consideration to the Minister of Health and to the MOF.

- As requested by the Vice Minister of Finance developed the budget commitment implementation strategy and submitted in the quarter. It is expected that the MOF will implement the recommendation for the 2016 fiscal year. If the MOF decide to do so, the program will provide all the necessary support.
- Finished the development of the accounting subsystem use cases and during the following quarter the use cases of the accounting registration matrix will be developed. It is expected that the entire subsystem of use cases will be finished by August and the IT development begin on September.
- Finished the development of the use cases of the treasury subsystem and began the software development. By the end of the quarter, 33 use cases were developed and were submitted to the users committee for testing.
- Finished the budget execution module use cases design of the budget subsystem during the quarter; it is now ready for the software development. Additionally, the program began the IT requirement validation of the use cases of budget formulation, budget execution and treasury subsystem.

An important achievement this quarter was the successful starting of the SAFI II software development with the treasury subsystem and the budget formulation. The treasury subsystem will be completely developed by FPEMP and the budget formulation is being developed by the program, the World Bank and DINAFI.

Additionally, development of the COMPRASAL II advanced successfully during the quarter, the PAAC module was deployed, and extensive training to the GOES institutions and the municipalities was provided. FPEMP also developed a IVP to Chile for National Procurement Office (UNAC) staff in order form them to learn about the Chilean experience in the implementation of the e-procurement system.

**Component B** – During the quarter, FPEMP achieved the following:

- In regards of the development of the CSMS II, continued developing the modules of the Hearings and Test Opening Unit (UAAP) and the contact center module for the tax arrears collection.
- At their invitation, delivered a conference to the OECD on the Tax and Development Summit in Paris. FPEMP results have gotten the attention of the OECD for the important achievements and the strategy to face challenges during the tax programs life. FPEMP COP explained the strategy, challenges and results under the previous Tax Administration Reform Project and FPEMP.

- Developed a large assessment of the DGII tax control strategies and capabilities. The assessment demonstrated that although the tax administration has improved significantly, there is still a large space for improvement. A presentation was made to the Minister, Vice Minister of Finance, Vice Minister of Revenue and the DPEF Director, whom expressed that they were impressed for the high quality of the work developed by the FPEMP expert and requested to the program full support in the implementation of the recommendations.
- Advanced on the drafting of the tax reforms proposal. FPEMP will propose reforms that will support the MOF in order to assist the GOES to build a fair, progressive and efficient tax system. The program experts began the review of the proposal with the DPEF Director.

**Component C** – During the quarter, FPEMP achieved the following:

- Continued advancing in the development of the transparency trilateral initiative working with the Undersecretary for Territorial Development and Decentralization (UTDD) and the MOF in the development of the fiscal transparency portal data loading for the municipalities. The data modeling proposal was approved by the Undersecretary and during the following quarter, the team will work with the GOES in granting the approval from 33 municipalities to start the implementation of the SIGMUNI.
- At the OECD's request, delivered a conference on the Transparency and Anticorruption Summit in Paris. The trilateral initiative results implemented by the program and USAID have called the attention of the OECD for the important achievements and the strategy to provide effective results on addressing the fiscal transparency as a way to combat corruption. Additionally, the strategy of two governments supporting a third government implement successful international practices was highlighted by the OECD. The program explained the strategy, challenges and results under the initiative.
- Finished the fiscal sustainability white paper and made a presentation to the donor committee in coordination with German International Cooperation (GIZ) and Spanish International Cooperation (AECID). The next step will be to present the document to the GOES.

## 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:

- **Completed the budget programs design for the Ministry of Economy** – The program completed the budget programs design for the MOE. The program supported the MOE technical staff in the review of the programs design methodology, indicators design and program’s link with the GOES National Five Year Plan. The programs designed are: 1) support Salvadoran goods and services’ positioning in international markets; 2) businesses strengthening to increase productivity; 3) creation and publish of statistical information to design, monitor and evaluate public policies; 4) guarantee the supply of minerals and oils; 5) support the liquefied gas subsidy; 5) not programmed budget assignation. The programs were approved by the MOE authorities and were presented to the executive staff.
- **Completed the budget programs design for the Ministry of Agriculture** – The program worked with the MOA technical staff in the review of the logical framework methodology, indicators design, and agriculture statistics system. The MOA technical team identified the following programs: 1) agriculture sustainable development; 2) livestock sustainable development; 3) fishing and aquaculture sustainable development; 4) sustainable agriculture in the climate change environment; 5) forest sustainable development. Despite the program effort to work with the technical teams, the MOA decided to change the priority of the work and demonstrated a lack of interest in the budget programs design. At the end, the program submitted a document with recommendations to improve the budget programs to the MOA and the Budget General Directorate (DGP).
- **Completed the budget programs design for the Ministry of Health** – The program completed the budget programs design for the MOH. The MOH technical team identified the following programs: 1) children’s sickness; 2) contagious chronic disease; 3) non-contagious chronic disease. Despite the program effort to work with the technical teams, the MOH lacked the leadership to coordinate the task and the work was very difficult. At the end, the program submitted a document with recommendations to improve the budget program to the MOH and the DGP.
- **Developed the budget commitments implementation strategy** – The program developed and handed in to the Vice Minister of Finance the budget commitments implementation strategy. The strategy follows the recommendations of the document prepared by the DGP technical team in coordination with FPEMP budget execution expert on budget commitments and budget execution procedures that was approved by the DGP Director.

- **Completed the accounting subsystem use cases design** – During the quarter, the FPEMP accounting use cases expert in coordination with the General Directorate for Government Accounting (DGCG) technical team completed the accounting subsystem use cases design. In total the team designed 200 use cases that will be reviewed by the IT requirements validation team in order to proceed to software development.
- **Completed the treasury subsystem use cases design** – During the quarter, the FPEMP treasury use cases expert in coordination with the DGT technical team completed the treasury subsystem use cases design. In total, the team designed 109 use cases that are being reviewed by the IT requirements validation team in order to proceed to software development.
- **Began the treasury subsystem software development** – The program began the treasury subsystem software development. The process will last until the end of the program due to the complexity of the task. Until now, 13 use cases have been developed and are in the test environment.
- **Completed the budget execution module use cases design** – During the quarter, the FPEMP budget execution use cases expert in coordination with the DGP technical team completed the budget execution module use cases design. In total the team designed 49 use cases that will be reviewed by the IT requirements validation team in order to proceed to software development.
- **Completed the budget formulation module use cases design IT requirements validation** – The program IT staff completed the budget formulation module use cases design IT requirements validation. After review, the use cases have passed to the software development stage to DINAFI IT staff and to FPEMP IT staff for code generation. The total number of use cases reviewed is 100.
- **Began the budget formulation module code generation** – After IT requirements validation, the use cases passed to FPEMP IT staff for code generation. The program will support only the code generation and DINAFI IT staff will do the next stages. The code generation process allows a 40% of time saving in the software development cycle.
- **Procured office furnishing of the DPEF** – During the quarter, the program procured and modernized the office furnishing of the DPEF in order to accommodate the future Public private Partnership (PPP) office. The program procured chairs, desks, area divisions, meeting tables, among others.
- **Organized IVP to Chile on the implementation of the ChileCompra e-procurement system** – The program organized an IVP to Chile to learn about implementation of the Chilean e-procurement system—ChileCompra. The MOF UNAC Acting Manager and two UNAC technical experts participated in the IVP. The program focused 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.
- **Trained the central government entities and municipalities procurement office staff on COMPRASAL II PAAC module** – During the quarter, the program delivered training to the central government entities and municipalities procurement office staff on COMPRASAL II PAAC module. In total the program trained 604 persons, including 313 women.

- **Deployed the COMPRASAL II PAAC module in production environment** – During the quarter, the FPEMP in coordination with UNAC deployed the COMPRASAL II PAAC module in the production environment. The module is supporting the procurement of 126 institutions including: central government entities, decentralized entities and public businesses.

## ACTIVITIES/WORK IN PROGRESS

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

- **Coordination of the SAFI II development** – Firstly, it was agreed with the other donors that FPEMP will finance the coordination of the SAFI II development, in order to help the MOF grant the World Bank loan extension. However, after discussions with the MOF and donors, the program expert concluded his consultancy in February and the coordination will be financed by the World Bank. The expert hired by FPEMP to perform the coordination recommended a software development methodology that goes against the program standards and the methodology agreed by the program with the MOF. Under the recommended methodology, the program and the MOF could not comply with the agreed schedule for the system development generating an important delay on the agreed task. In that regard, the COP explained to the Vice Minister of Finance that despite the fact that the program appointed the expert, he decided to move aside from the program standards and that it was the program responsibility to notice him that the program do not share the opinions and recommendation of the expert, and that if the MOF accept the expert recommendations it would threaten the agreed system development schedule. The Vice Minister of Finance agreed that he will submit the document to the DINAFI IT staff in order to receive their evaluation. The DINAFI concurred with the program position and the Vice Minister of Finance confirmed the COP that they will look for another SAFI II coordinator.
- **Training and coaching to DINAFI IT staff on FPEMP software development strategy** – DINAFI agreed to use the FPEMP software development strategy. Due to this, the program is training and coaching the DINAFI IT staff in order to decrease the learning curve time and guarantee a successful SAFI II development. The process will continue until DINAFI stops contracting new personnel.
- **Treasury subsystem software development** – The program continues to develop the treasury subsystem software. Until now, the program has developed 33 use cases. After that module, the program will continue with the credit notes module and cash flow module.
- **Budget execution module use cases design IT requirements validation** – The program continues to validate the IT requirement of the budget execution use cases design. This stage is necessary before proceeding to the software development stage. The team will review 49 use cases.
- **Budget formulation module code generation** – The program continues supporting the code generation of the budget formulation module. The process will save 40% time in the software generation cycle.

- **Development of COMPRASAL II** – The program continues to support the modifications required by the users to the PAAC module. The process is ongoing. Additionally, the program will start developing the “*libre gestion*” module.
- **Use cases design of the COMPRASAL II “*libre gestion*” module** – The program continues to design the “*libre gestion*” module use cases. Until now, the program has designed 38 use cases and it is expected to finish the 64 use cases in March. The use cases describe the transactional flow of all PAAC processes that allows the awarding of the procurement.
- **Support the COMPRASAL II PAAC module deployment** – The program is supporting the GOES institutions in the PAAC module deployment. The program has supported 40 institutions that have created approximately 1,500 users. The process is ongoing.
- **Development of the proposal for the reform of the AFI Law** – The program continues to develop the proposal for the legal reform of the AFI law. The program expert reviewed the current legal norms and discussed new requirements with the program experts in budget execution, treasury, accounting and public procurement. It is expected that the proposal will be submitted next quarter.

## NEXT STEPS

Main activities for the next quarter include:

- **Development of the IPSAS chart of accounts description manual** – The program expert will develop the IPSAS chart of account description manual and will submit it to the DGCG for review and approval.
- **IVP to Argentina to learn about the accounting registration matrix** – The program will coordinate an IVP to Argentina to learn about the Argentinean accounting registration matrix. The DGP Deputy Director, DGCG Director and two DGCG technicians will participate. The program will focus on the relations of the matrix with the budget classifiers, matrix entry data and structures, relation of the matrix with other classifiers, accounting registration events, foreign currency registration, accounts payable registration, automated registration of accounting events, and other related topics.
- **Training on IPSAS to government institutions** – The program will support the IPSAS dissemination to the government institutions. The accounting expert will firstly train the institutions authorities and executive staff, and then the DGCG staff will begin training the institutions operational staff.
- **Development of the IPSAS policy manual** – The program experts will support the DGCG technical team in the development of the IPSAS policy manual. Last year, the program helped the MOF obtain approval from the Costa Rican government to use their policy manual as a guide, helping the DGCG and the program to save more than 70% of the time necessary to develop the manual.
- **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 one year ago. 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.

- **IVP to Chile to learn about budget M&E best practices** – The program will coordinate an IVP to Chile to learn about the Chilean M&E system. The DGP Deputy Director and two DGP technicians will participate. The program will focus on the experience of the M&E office, legal and institutional framework, methodology to create indicators, software applications, reports and other related topics.
- **Support the DGP in the implementation of the budget commitments** – The program will support the DGP in the implementation of the budget commitments. The Vice Minister of Finance has to approve the strategy and the DGP will elaborate the procedures manual and will disseminate the methodology to the public institutions.
- **Accounting registration matrix use cases design** – The program will support the DGCG technical team in the accounting registration matrix use cases design. The work will last approximately three months.
- **Continue training and coaching to DINAFI IT staff on FPEMP software development strategy** – The program will continue training and coaching the DINAFI IT staff in order to decrease the learning curve and save time in the software development.
- **Development of the strategy to implement the SAFI II call center** – The program will develop the strategy to implement the SAFI II call center. The call center will support the SAFI II implementation.
- **Began the accounting subsystem use cases design IT requirements validation** – The program will begin the accounting subsystem use cases IT requirements validation. The validation team will review 200 use cases. The use cases will pass to FPEMP for code generation and to DINAFI for software generation.
- **Began the accounting subsystem code generation** – After validation of the use cases, the program will work in the code generation of the accounting subsystem.
- **Continue the treasury subsystem software development** – The program will continue with the treasury subsystem software development.
- **Continue the budget execution module use cases design IT requirements validation** – The program will continue to review the budget execution use cases design.
- **Continue the budget formulation module code generation** – The program will continue the budget formulation module code generation.
- **Endowment of the code generation software to the MOF** – The program will hand in the FPEMP code generation software to the MOF in order for them to be responsible of the code generation and avoid any delay. DINAFI has requested some modifications but the program will only include the ones that generate more value.
- **Begin the software development of the COMPRASAL II “*libre gestion*” module** – The program will begin the software development of the COMPRASAL II “*libre gestion*” module during the following quarter. It is expected that the software development will last a few months.

- **COMPRASAL II “licitaciones” module use cases design** – The next quarter, the program will begin the use cases design of the “licitaciones” module. The module will include all the procedures stated in the National Procurement Law (LACAP) about proposals, consultancy’s and directs awards.
- **Development of the strategy to implement the COMPRASAL II call center** – In order to support the 388 GOES Institutions Procurement Office (UACI) and nearly 5,000 government suppliers’ requirements; the program will develop the strategy to implement the COMPRASAL II call center. The program will procure the call center software, 3 technician’s desks and 1 supervisor desk.
- **Support the UNAC organization reform implementation** – The program will support the UNAC organization reform implementation. The reform includes the contracting of more technicians, the implementation of the public procurement observatory and converting the UNAC in a Directorate.
- **Support the implementation of the public procurement observatory** – The program will support the implementation of the public procurement observatory that has as main objective to promote a quality standard and good practice in all public procurement through the COMPRASAL II in order to strengthen the efficiency and transparency levels of national procurement.

## COMPONENT B: Tax Revenue Mobilization

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

### KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

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

- **Developed the tax administration tax control capacity assessment and recommendations** – The program developed an assessment of the DGII tax control capacities and made the necessary recommendations to the MOF in order to strengthen and help the GOES improve revenue mobilization.
- **Presented the tax administration tax control capacity assessment and recommendations to the Minister of Finance and Vice Ministers** – The program tax control expert and the COP made a presentation to the MOF authorities on the findings and recommendation of the assessment of the DGII tax control capacities.
- **Obtained approval from the Minister of Finance on the MOF tax control enforcement implementation** – The Minister of Finance was impressed with the work performed by the program in the assessment and recommendations and requested the COP full support in the recommendations implementations. The Minister confirmed the commitment of the MOF and the GOES in improving the tax control and enforcing the tax law in order to not only collect more taxes but to make the Salvadorian tax system more equitable and fair.
- **Presented the fiscal sustainability agreement to the donor community** – During the quarter, a representative from the Central American Fiscal Studies Institute (ICEFI) presented to the donor community the white paper on fiscal sustainability developed by FPEMP, GIZ and AECID. The donors agreed with the document and it will be presented to the GOES next quarter.
- **Deliver a conference to the OECD tax and development commission summit on tax policy projects implementation** – The OECD requested the COP to deliver a conference on the strategy used by FPEMP in the implementation of the technical assistance provided to the GOES and the main achievements made by the program. The COP delivered the conference and the OECD G-20 commission on tax and development recognize the importance to emulate the strategy implemented by FPEMP in other technical assistance worldwide.

### ACTIVITIES/WORK PROGRESS

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

- **Web services between the MOF and banks implementation monitoring** – The program continued monitoring the web services implementation. The web services are a key

component in the effort to keep the TCA from becoming contaminated or out of date again. The MOF expected to have all the banks included in December but they continue to have technical issues with *Banco de America Central*, ACCOVIT and COMEDICA. They expect that the issue will be solved this quarter.

- **Improvements of TCA 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 and the program will continue to monitor the situation.
- **Development of the CSMS II UAAP module** – The program continued developing the CSMS II UAAP module. The process will continue during the following quarter.
- **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. The process will continue next quarter.
- **Support the TAIIA use cases design** – The program is supporting the last stage of the use cases design in order to have them ready for software development in the following quarter.
- **Development of the tax reform proposal** – The program is currently working on a tax reform proposal. The Vice Minister of Revenue requested support from the program in the drafting of a tax reform proposal that provide DGII with a strong statutory power to enforced the tax regulation and to make it more efficient, equitable and fair.

## NEXT STEPS

The main activities for the next quarter include:

- **Continue monitoring the web services between the MOF and banks implementation** – The program will continue monitoring the banking institutions' web services implementation until it is fully complete.
- **Continue monitoring the improvements of TCA 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.
- **Implementation of the CSMS II contact center module** – It is expected that the program will finish the development of the contact center the next quarter. After completion, the module will be tested and placed in production.

- **Continue supporting the TAIIA use cases design** – The program will continue supporting the TAIIA use cases design the next quarter. After completion of this stage, the program will begin the software development
- **Development of the CSMS II TAIIA module** – The use cases will be completed the next quarter. After this, the program will begin the code generation of the module.
- **Support and monitor the implementation of the recommendations for tax control strengthening** – The program will begin the support to DGII in the implementation of the recommendations made to strengthen the tax administration control capacities.
- **Present the white paper on fiscal sustainability to MOF and GOES authorities** – The next quarter, the program in coordination with GIZ and AECID will present the white paper on fiscal sustainability to the MOF and GOES authorities. To the event will assist authorities from the MOF and from the Presidency Technical Secretary.
- **Develop the necessary presentations and advocate with the GOES authorities on the tax reform proposal** – FPEMP will discuss the tax reform proposal with the DPEF, the Vice Minister of Revenue and the Vice Minister of Revenue advisors in order to gain their approval on the proposed tax reform.

## 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:

- **Assessed the progress in the HR competency based system implementation** – During the quarter, the FPEMP capacity building expert assessed the progress in the HR competency based system implementation. The program found that the training department evaluating the employee's competencies is working on his own because there is no further commitment from the upper management. The program presented the recommendation to solve the situation to the Vice Minister of Finance and to the Administration General Directorate (DGEA) Director.
- **Developed the data loading strategy for the SIGMUNI** – The program developed the data loading strategy of the fiscal transparency portal within the SIGMUNI. The strategy was presented to the Undersecretary and he approved the proposal. The strategy includes all the flows that the SIGMUNI will have with the DGCG to incorporate the dynamic data tables in the portal. The next step will be to present the strategy to the municipalities that will participate in the SIGMUNI.
- **Obtained agreement with the Undersecretary and the MOF on the data loading strategy for the SIGMUNI** – The program presented the data loading strategy to the DGCG Director and to the Undersecretary. Both institutions agreed with the proposal.
- **Participated in the world conference on anticorruption and transparency in Brazil** – The program participated in the world conference on anticorruption and transparency organized by the Brazilian Government and the Brazilian General Controllers Office (CGU). To the event attended the DCOP, the USAID Acting Deputy Mission Director and a technician from the MOF. The MOF presented the experience of the governments of El Salvador, Brazil and the United States under the Trilateral Initiative on Fiscal Transparency.
- **Participated in the OECD symposium on anti-corruption development assistance** – The OECD requested the COP to deliver a conference on Fiscal transparency Initiatives and strategies, focusing on the Salvadorian experience and the support the program provided in coordination with the Brazilian General Controllers Office under the trilateral initiative. The COP delivered the conference and the OECD, World Bank and international community present at the summit recognized the importance of strategies like the ones FPEMP used in El Salvador.

### 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** – The program continued supporting the portal stabilization process, in particular issues related to the process of data upload. Additionally, the program will not incorporate new functionalities but stabilize or debug the ones that could cause a problem.
- **Monitoring of EXPRESATE center activities** – FPEMP 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
- **Develop the data loading software of the Municipal Fiscal Data for the SIGMUNI** – The program is developing the data loading software of the Municipal fiscal data for the SIGMUNI. The software includes the code for the data loading from the DGCG to the SIGMUNI. The data will be uploaded from the municipalities SAFI and posted in the SIGMUNI. Initially the program expect to incorporate the data of 33 municipalities and then increase the number of municipalities.
- **Follow up the implementation of the MOF human resources system based on competencies** – The project will continue providing follow up on the MOF implementation of the new human resources system developed by FPEMP.

## 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 following up the implementation of the MOF human resources system based on competencies** – FPEMP will continue following up the system implementation and will continue requesting the MOF to fully implement it.
- **Develop the data loading software of the municipal fiscal data for the SIGMUNI** – After the presentation to the municipalities, the program will develop the data loading software for the SIGMU. The software includes code generation of the dynamic data tables.
- **Present the municipal transparency strategy to municipalities** – The program in coordination with the MOF and the Undersecretary will present the municipal transparency strategy to the 33 municipalities that will participate in the SIGMU fiscal transparency strategy. The main idea is to have an agreement with the municipalities about the data loading strategy for the SIGMUNI.

## MOF's Progress towards GOES Goals

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

<b>GOES Target</b>	<b>Progress</b>
Build the foundations to move from the current budget system to a Results-Oriented Budget system for Health, Agriculture and Economy	The DGP supported FPEMP on the task of developing the budget programs for the MOE, MOA and MOH.
Implement a fully operational TSA	DGT continues implementing the Treasury Single Account and now has 25 central government entities and more than 28 operational units. DGT in coordination and with the support of FPEMP finished the treasury subsystem use cases.
Develop and implement the SAFI II	The MOF with the support of FPEMP began the development of the budget formulation module within the budget subsystem.
Develop and implement an e-Procurement System	The UNAC with FPEMP support continued implementing the PAAC module and the first government entities are ready to submit their annual procurement plan during the month of March.
Increase tax revenues by 2.0 percent of GDP by 2015	The MOF confirmed FPEMP their full commitment to implement the program recommendations to improve the tax control system at DGII.
Develop new scenarios for private sector and civil society participation in fiscal matters and new transparency and accountability practices	The MOF continued stabilizing the new fiscal transparency portal and during February the old portal was shut off and the new one is fully operational.
Successfully implement current and future tax reforms	The DPEF Director worked with FPEMP in reviewing the program tax reform proposal and the Minister of Finance confirmed his commitment to move forward with the proposed reforms that will make the Salvadorian system a more fair, equitable and progressive system.

## FPEMP's Progress Report – Performance Indicators

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

FPEMP result	FPEMP progress
<b>COMPONENT A</b>	
1. At least twenty-five Public Sector Institutions using multiyear Results-Oriented Budgets by the end of the project	The program supported the design of budget programs at the MOE (11 institutions), MOA (4 institutions) and the MOH (36 institutions).
2. Treasury enabled to make electronic payments on behalf of GOES entities by the end of the project	During the quarter FPEMP finished the validation of the use cases of the treasury subsystem. Additionally, the program began the development of the treasury subsystem. By the end of the quarter at least 25% of the entire subsystem was developed and submitted to the users committee for testing.
3. A strengthened MOF Budget-Planning Unit by increasing the knowledge and IT resources of each unit	The program supported the validations of the use cases of the budget formulation module and budget execution. Additionally, began the code generation of the budget formulation module.
4. Six hundred MOF personnel trained in modern expenditure system management techniques by the end of the project	At the end of the quarter FPEMP has trained at least 803 GOES employees in modern expenditure management systems.
5. Support the MOF in the migration from SAFI to SAFI II	FPEMP continued validating the use cases of the SAFI II system and began the development of the Treasury Subsystem and the code generation of the budget formulation module.
6. Introduce and promote implementation of IPSAS	The program continued supporting the development of the use cases of the accounting subsystem. FPEMP has developed the accounting charts of accounts under IPSAS, the accounting framework, IPSAS implementation plan, supported the GOES to obtain approval from the costarican government to use their IPSAS accounting policy manual, accounting conceptual model and has provided extensive training on IPSAS.
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 <sup>th</sup> .
<b>COMPONENT B</b>	

Fiscal Policy & Expenditure Management Program (FPMP)

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, FPMP provide follow up to the task implementation.
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, FPMP provide follow up to the task implementation.
10. Up-to-date, consistent and updated Case Selection Management System (with modern database management guidelines)	The program has developed and deployed more than 80% of the entire CSMS II and continue developing the UAAP modules and supporting the use cases development of the TAIIA.
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, FPMP provided support to the DGII in the training of year 2011 fiscal reforms to 83 MOF personnel. Currently the program is developing a fiscal reform proposal upon the Vice Minister of Revenue request in order to provide stronger statutory power to the tax administration.
13. Provide technical support in the strengthening of the Large Taxpayer Unit areas of income tax and transfer pricing audit techniques	In previous quarters, FPMP 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.
<b>COMPONENT C</b>	
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, FPMP 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.
15. Effective promotion leading to the establishment of a public private commission	FPMP completed the development of the new MOF Fiscal Transparency Portal and launched

<p>by Salvadoran actors, with the goal of monitoring on yearly basis the approved budget versus actual GOES expenditures</p>	<p>it on November 14<sup>th</sup>. During the quarter the program in coordination with GIZ and AECID made a presentation of the White Paper to the donor's community.</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. Currently the program is working with the MOF and the Undersecretary of Territorial Development of the Presidency to implement a Fiscal transparency portal for municipalities.</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>FPMP took the initiative to coordinate efforts with AECID and GIZ to work on a fiscal pact proposal for the new government. The document was finished and presented to the donor's community and will be delivered to the GOES during the following quarter.</p>