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

**Quarterly Report**  
March 2015 – May 2015

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

**QUARTERLY REPORT**  
**March 2015 - May 2015**

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## ACRONYMS

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
DINAFI	National Directorate for Financial Administration
DPEF	Fiscal and Economic Policy Directorate
FP EMP	Fiscal Policy Expenditure Management Program
GOES	Government of El Salvador
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
IVP	International Visitors Program
MOF	Ministry of Finance
PAAC	Procurement and Contracts Annual Programing
PFGL	Local Government Strengthening Project
SAFI	National Financial Management System
SAFIM	Municipalities Financial Management System
SIGMUNI	Municipalities Information System
TAIIA	Internal Revenue and Customs Appeal Court
TCA	Taxpayer Current Account
UAAP	Hearings and Evidence Unit
UNAC	MOF National Procurement Office
USAID	United States Agency for International Development

## 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 March 2015 to May 2015, the fourth quarter of year four, are listed below:

### Quarterly results

- Conducted International Visitors Program (IVP) to Argentina to learn about the accounting registration matrix
- Delivered training on International Public Sector Accounting Standards (IPSAS) adoption and implementation to government institutions
- Gained approval to implement the centralized accounting entity in the public accounting system under IPSAS
- Conducted IVP to Chile to learn about budget monitoring and evaluation best practices
- Prepared agreement to support the National Procurement Office (UNAC) organizational reform implementation
- Assessed the General Directorate for Internal Revenue (DGII) Supervision and Control Internal Unit
- Developed the first stage of the tax administration tax control strengthening
- Presented the tax reform proposal to the Vice Minister of Revenue
- Presented the fiscal sustainability agreement to the MOF authorities
- Presented the municipal fiscal transparency strategy to the municipalities
- Developed the data loading software for the Municipalities Information System (SIGMUNI) and Municipal National Financial Management System (SAFIM)
- Supported the fiscal transparency portal stabilization

Other Activities

- Development of chart of accounts description manual under IPSAS
- Follow up on the development of the accounting policy manual under IPSAS
- DGP functional administrative reform
- Accounting registration matrix use cases design
- Accounting subsystem use cases design Information Technology (IT) requirements validation
- Development of the treasury subsystem
- Budget formulation module code generation
- Training and coaching to National Directorate for Financial Administration (DINAFI) IT staff on FPEMP software development strategy
- Development of the proposal for the reform of Financial Administration (AFI) Law for El Salvador
- Support the e-Procurement (COMPRASAL) II Procurement and Contracts Annual Programing (PAAC) module deployment
- COMPRASAL II “*libre gestion*” module use cases IT requirements validation
- Software development of the COMPRASAL II “*libre gestion*” module
- Follow up the web services between the MOF and banks implementation
- Follow up the improvements of Taxpayer Current Account (TCA) procedures for DGII and Treasury General Directorate
- Development of the Case Selection Management System (CSMS) II (Hearings and Evidence Unit) UAAP module
- Development of the CSMS II contact center module
- Support the Internal Revenue and Customs Appeal Court (TAIIA) use cases design
- Support and monitor the implementation of the recommendations for tax control strengthening
- Development of the tax reform proposal
- Monitoring of EXPRESATE center activities
- Follow up the implementation of the MOF human resources system based on competencies
- Support the development of the municipal fiscal transparency portal

## Introduction

This report covers FPEMP activities during the period of March 1, 2015 to May 31, 2015. The program began on June 10, 2011. The contract base period is finished and the program will enter its optional fifth year.

USAID commissioned FPEMP 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.

FPEMP 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, FPEMP continued supporting the MOF on the implementation of the public expenditure modernization. The program conducted an IVP to Argentina to learn from the Argentinean experience in the accounting registration matrix experience. The IVP was attended by the General Directorate for Government Accounting (DGCG) Director, Budget General Directorate (DGP) Deputy Director, and two technicians from the DGCG. Additionally, the program continued designing the use cases of the accounting registration matrix and provided extensive training to the GOES institutions and “*Corte de Cuentas*” on IPSAS approach and methodology. The Chief of Party (COP) met with the Minister and Vice Minister of Finance to explain the importance of adopting a centralized accounting entity and gained their approval to move forward with that model for the IPSAS adoption. The program experts continued developing the charts of account description manual.

An IVP to Chile was conducted to learn about budget monitoring and evaluation best practices. The training was attended by three technicians of the DGP. The program continued supporting the development of the new budget system under National Financial Management System (SAFI) II by generating the code of the budget formulation module. Despite the fact that the program in coordination with DGP technicians developed a new organizational structure, model and functions, the DGP Director has been reluctant to move these reforms forward. The COP will escalate the situation with the Vice Minister of Finance during the following quarter.

The development of the COMPRASAL II system continued successfully. The PAAC is fully implemented and by the end of May more than 23 GOES entities finished registering their procurement plans and 145 began their plans registration using the PAAC system and posted it on the website for the use of all citizens and vendors, providing efficiency and transparency to the GOES public procurement. The program continued providing support to the modernization of the UNAC and recommended the administrative and functional reform of the unit to the Vice

Minister of Finance in order to provide them more capacity, autonomy and to strengthen their capacities. The Vice Minister agreed and the program in coordination with UNAC developed the UNAC reform paper that was submitted to the Vice Minister for approval. The program recommended the creation of the public procurement ombudsman office within the UNAC structure in order to provide more transparency to the public procurement. The MOF also agreed and the program began the support on that regard. In addition, the program continues to develop the “*libre gestion*” module

Finally, the development of the treasury subsystem continued during the quarter and by May 36.7% of the system was developed and tested.

**Component B** – The program continued developing the tax reform proposal. During the previous quarter, FP EMP recommended that the MOF reform the taxation law in order to strengthen the tax control statutory power of the tax administration, reform the tax collection regulation and include other reforms in order build a fair, progressive and efficient tax system for El Salvador. At the end of the quarter, the program began the review of the tax law reform proposal with the Vice Minister of Revenue and his advisors and experts, gaining approval on most of the recommendations made. The program will present the reform to the Minister of Finance next quarter.

The strengthening of the tax control units continued under the support of FP EMP. The program supported the MOF in designing a strong strategy to address the tax evasion issues and to improve the tax collection.

Finally, the development of the CSMS continued successfully.

**Component C** – Under this component, the program in coordination with the Spanish and German technical assistance projects made the presentation of the fiscal sustainability agreement to the Minister, Vice Minister of Finance, Vice Minister of Revenue and Fiscal and Economic Policy Directorate (DPEF) Director. The event was attended also by the Ambassador to El Salvador from Spain and Germany. The Minister of Finance highlighted the importance of the document and requested to present it to the GOES economic bureau. The paper was delivered to the MOF authorities and the program will submit it to other during the following quarter.

Regarding the fiscal transparency portal for municipalities, the program in coordination with the Local Government Strengthening Project (PFGL) (previously the Undersecretary of Territorial Development and Decentralization) delivered a conference to 33 municipalities in order to gain approval from them to continue with the development of the portal.

The GOES fiscal transparency portal stabilization finished and the MOF has taken full control of the portal maintenance.

## 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:

- **Conducted IVP to Argentina to learn about the accounting registration matrix** – The program coordinated an IVP to Argentina to learn about the Argentinean accounting registration matrix development and implementation. The DGP Deputy Director, DGCG Director and two DGCG technicians participated and learned about 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.
- **Delivered training on IPSAS adoption and implementation to government institutions** – The FPEMP accounting expert delivered training on IPSAS adoption and implementation to all government institutions. The training was attended by Vice Ministers, Executive Directors, accountants organizations, universities, the “*Corte de Cuentas*” and institutions operational staff. The program trained 692 persons, including 314 women.
- **Gained approval to implement the centralized accounting entity in the public accounting system under IPSAS** – The program made a presentation to the Minister and Vice Minister of Finance on the current situation of the GOES public accounting system and the issues that the decentralized accounting system generate for the accuracy and transparency of the GOES financial information. The program recommended the adoption of a centralized accounting entity with a decentralized accounting registration operation. The Minister and Vice Minister of Finance agreed with the recommendation and committed the MOF efforts to implement the new model.
- **Conducted IVP to Chile to learn about budget monitoring and evaluation best practices** – The program coordinated an IVP to Chile to learn about the Chilean monitoring and evaluation system. Three DGP technicians participated and learned about the experience of the budget monitoring and evaluation office, legal and institutional framework, methodology to create budget indicators, software applications, reports and other related topics.
- **Prepared agreement to support the UNAC organizational reform implementation** – The program prepared the agreement to support the UNAC organization reform implementation. The agreement was delivered to MOF authorities for signature and it states that the UNAC must become the National Procurement Directorate (DINAC) because it will become the central procurement entity.

## ACTIVITIES/WORK IN PROGRESS

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

- **Development of chart of accounts description manual under IPSAS** – The program began the development of the chart of accounts description manual under IPSAS. The manual will describe the accounts handling (assets, liabilities and net assets). It is expected that the development will be completed the next quarter.
- **Follow up on the development of the accounting policy manual under IPSAS** – During previous quarters, the program supported the MOF to obtain approval from the Costa Rican Government to use their policy manual. Once the approval was gained the program began supporting and following up the review and edition of the policy manual for El Salvador. During the quarter the program continued providing follow up to this task.
- **DGP functional administrative reform** – The program presented to the DGP Director a proposal on DGP functional administrative reform in February 2014. The program has insisted that the DGP Director review the reform because it is of paramount importance. The reform contains all the new operational areas for the budget reform. The goal is to begin operating with the new areas in January 2016. Due to the fact that the DGP Director has been reluctant to move forward with the reform, the program will escalate the situation with the Vice Minister of Finance during the following quarter.
- **Accounting registration matrix use cases design** – During the quarter, the program began the accounting registration matrix use cases design. The accounting registration expert presented to all SAFI operational staff the accrual concept and how this will act in the accounting registration. In the meeting, the attendants concluded that it is important to have auxiliary matrixes that contain information of the all SAFI subcomponents. Until now, the program has identified 20 matrixes. The matrixes will be developed in accordance with the IPSAS and the accounting conceptual model.
- **Accounting subsystem use cases design IT requirements validation** – Simultaneously to the accounting registration use cases design, the program has been validating the IT requirements of the accounting subsystem use cases. This step is important before proceeding to the code generation and software development process. The program has reviewed 22 use cases.
- **Development of the treasury subsystem** – The program continues to develop the treasury subsystem software. This quarter the program worked in the development of the catalogues module. The module was adjusted as requested by the technical teams. By May, the program has developed 36.5% of the subsystem. The development process will continue.
- **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. The strategy is for FPEMP to generate the code and DINAFI IT programmers to develop the business rules. By the end of May more than 35% of the formulation module was finished.

- **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.
- **Development of the proposal for the legal reform of AFI Law for El Salvador** – The program continued to develop the proposal for the legal reform of the AFI Law. The program expert has reviewed the current legal framework and has met with the experts that are working in the modernization of budget, treasury, accounting and public procurement to get their recommendations. As a result, the expert prepared a first draft that was reviewed by the DCOP and made some adjustments.
- **Support the COMPRASAL II PAAC module deployment** – The program continues supporting the COMPRASAL II PAAC module deployment. Until May, 145 institutions (including 47 from municipal sector) are registering their procurement plans in the PAAC module. Among those, 23 institutions have completed registering their procurement plans for a total of \$167.2 million USD. This amount represents 10% of the government budget that is allocated to procure goods and services.
- **COMPRASAL II “libre gestion” module use cases IT requirements validation** – The program continues to validate the COMPRASAL “libre gestion” use cases. The team has validated 18 use cases. The use cases are ready for software development.
- **Software development of the COMPRASAL II “libre gestion” module** – The program began the software development of the COMPRASAL II “libre gestion” module. The development will continue for the next two quarters. After development, the program will support the module deployment, training and stabilization. The module introduces new public procurement processes to enhance information transparency and generate business opportunities to the GOES suppliers.

## NEXT STEPS

Main activities for the next quarter include:

- **Development of chart of accounts description manual under IPSAS** – The development will continue during the next quarter and it is expected that the program will complete the development.
- **Follow up on the development of the accounting policy manual under IPSAS** – The program will continue following up on the accounting policy manual development.
- **IPSAS implementation** – FPEMP will support the DGCG in the implementation of the IPSAS. The task is complex and will take an important amount of time to complete. The cleaning of the accounting system at all GOES institutional level will take time and must be supported by the DGCG and the “Corte de Cuentas”. The program will facilitate the coordination and will follow up and support the implementation plan.

- **DGP functional administrative reform** – The program will escalate at the Vice Minister level the need for a final decision on the DGP administrative and functional reform. If approved, the program will work in the development of the implementation plan and in the Ministerial agreement proposal.
- **Support the DGP in the implementation of the budget commitments** – The program will support the budget commitments implementation as agreed with the Vice Minister of Finance. The next step is that the DGP must develop the detail procedures manual. After this, the manual will be disseminated to all GOES institutions.
- **Accounting registration matrix use cases design** – It is expected that during the next quarter the program will complete the accounting registration matrix use cases design. Additionally, the experts will train the technical teams in matrix development and maintenance, and will disseminate the matrixes operability to all SAFI II users.
- **Accounting subsystem use cases review** - Due to the development of the accounting registration matrix, some use cases that were previously designed will need modification. This activity will be performed during the following quarter.
- **Development of the treasury subsystem** – The program will continue developing the treasury subsystem. This process will continue during the year.
- **Budget formulation module code generation** – The program will continue with the code generation during the next quarter. DINAFI requested some changes to the code generator that will be introduced.
- **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 process.
- **Development of the proposal for the legal reform of AFI Law for El Salvador** – The program will continue developing the reform of the AFI Law. The first draft prepared by the experts will be reviewed and adjusted. Since this is a complex task it is expected that the final draft will be completed at the end of 2015.
- **COMPRASAL II “*libre gestion*” module use cases IT requirement validation** – The program will continue validating the use cases. Specifically the validation will be for the awarding process, the contract issuance, and contract monitoring and evaluation.
- **Software development of the COMPRASAL II “*libre gestion*” module** – The program will continue with the software development of “*libre gestion*”. The development includes the reception of proposals, the evaluation of electronic quotes, and the development of a comparative table.
- **COMPRASAL II “*licitaciones*” module use cases design** – The program will begin the use cases design of the “*licitaciones*” module. The module will include all the process for public binding, consultancies and direct award.
- **Development of the strategy to implement the COMPRASAL II call center** – The program will support the definition of staff technical profiles for the call center. The technical profile includes call center manager and call center technicians.

- **Support the UNAC organization reform implementation** – In the next quarter, the program will support the definition and update of position profiles for the UNAC.
- **Support the implementation of the public procurement ombudsman** – The program will develop the project proposal that will include the objectives, goals, scope and chronogram of the public procurement ombudsman implementation.

## 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:

- **Assessed the DGII Supervision and Control Internal Unit** – Under the previous USAID funded Tax Policy & Administration Reform Project, the Supervision and Control Internal Unit was created with the purpose to provide monitoring and evaluation to the DGII tax control activities. In order to evaluate the results and performance of the unit, FPEMP developed an assessment. The new DGII Director is very interested in strengthening the Unit. The outcomes of the assessment showed that they have move successfully with the M&E role but they need to improve some practices and be more efficient in complying with standards.
- **Developed the first stage of the tax administration tax control strengthening** – Following the task performed during December 2014, the program began the support to DGII to help them strengthen the tax audit capacities and to improve tax collections.
- **Presented the tax reform proposal to the Vice Minister of Revenue** – During the quarter, the Chief of Party and the FPEMP tax reform advisor met with the Vice Minister of Revenue and the DGII technical experts to discuss the tax reform proposal developed by FPEMP. The tax reform proposal seeks to modernize the tax system in El Salvador and does not affect any tax rate. The proposed reforms includes transfer pricing regulations, worldwide taxation for residents in El Salvador, improving the tax control statutory power, and reforming the current tax arrears collection system to adopt the best international practices, among others. The Vice Minister and the DGII experts concurred with the proposal and agreed with the FPEMP on the fact that if approved, the new regulation will help the GOES to significantly improve tax collections. The reform will be presented to the Minister of Finance the next quarter.

### ACTIVITIES/WORK PROGRESS

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

- **Follow up the web services between the MOF and banks implementation** – The program has monitored web services implementation, but it is clear that the web services system has technical issues that have made it difficult to fully implement. The system continues to operate with regularly application breakdowns and undesirable performance. The only possibility to improve it is to develop a new system. Unfortunately, the MOF or FPEMP have the resources to do it. The recommendation is to wait until a new donor or future USAID projects provides technical support to develop a new system. The program will stop monitoring this MOF task.

- **Follow up the improvements of TCA procedures for DGII and Treasury General Directorate** – For more than 30 months, the program has been monitoring the Tax Information System migration. Until now, the DGII IT Unit has not progressed as expected and they have expressed that they will continue to have many issues. The migration to the system is not stable. In previous reports, the program has stated that this migration is necessary in order to develop new components to solve TCA issues regarding collection registration. In this regard, due to the lack of advances and uncertainty, the program will stop monitoring this MOF activity to prioritize its resources on other tasks. As it happens with the web services the alternative is for another donor or a future USAID project to support the migration of the system. Nevertheless, the DGII continues to operate with the system that the previous USAID project developed. It is important to remember that the system operates very well, but the MOF decided to change the operational system from Oracle to JBoss.
- **Development of the CSMS II UAAP module** – The program continues developing the CSMS II UAAP module. It is important to clarify that this module has 3 sub-modules (tax hearings and appraisal unit, noncompliance section and notifications). The notification sub-module is in test environment and the other two are in development. The development process will continue.
- **Development of the CSMS II contact center module** – The program continues developing the CSMS II contact center module. The module is responsible for collecting tax arrears. There is one pending issue regarding the link between the module and the MOF Oracle Directory Link. Once this is solved, the module will enter the test environment.
- **Support the TAIIA use cases design** – The conceptual validation of the use cases has concluded this quarter. The final validation of IT requirements will be completed the next quarter and the use cases will be ready for software development.
- **Support and monitor the implementation of the recommendations for tax control strengthening** – The program continues supporting the DGII in the implementation of the recommendations made to strengthen the tax control capacities of DGII.
- **Development of the tax reform proposal** – The program continued developing the tax reform proposal and making the changes the MOF requested during the reviewing sessions.

## NEXT STEPS

The main activities for the next quarter include:

- **Development of the CSMS II UAAP module** – The program will continue developing the CSMS II UAAP module. The program will support any adjustment necessary.
- **Development of the CSMS II contact center module** – The program will continue developing the CSMS II contact center module. It is expected that the issue with the MOF Oracle Directory Link will be solved and the module will be tested and adjusted if necessary.
- **Implementation of the CSMS II contact center module** – The module development was completed. Despite this, the MOF in coordination with the program could not test the software due to an issue with the MOF Oracle Directory Link. Once this issue gets solved,

the module will be tested and then implemented. The program expects to perform these tasks next quarter.

- **Support the TAIIA use cases design** – The program will continue supporting the use cases IT requirements validation. After completion of this stage, the program will begin the software development.
- **Development of the CSMS II TAIIA module** – The program expects to begin the module development the next quarter.
- **Support and monitor the implementation of the recommendations for tax control strengthening** – The program will continue supporting the DGII in the implementation of the recommendations made to strengthen the MOF tax control capacities.
- **Present the tax reform proposal to the Minister of Finance and his advisors** – During the following quarter, the program will held the last meetings to review the tax reform proposal with the Vice Minister and the DGII experts. After the final agreement, the tax reform proposal will be presented and discussed with the Minister of Finance to get final agreement. Once the document gets approved by the Minister, he will submit it to the Presidential House for review and then to the Salvadoran Congress for discussions and approval.

## 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:

- **Presented the fiscal sustainability agreement to the MOF authorities** – The program presented the document “*El Salvador: En la Búsqueda de un Acuerdo Nacional de Sostenibilidad Fiscal*” developed in coordination with German International Cooperation-GIZ project and Spanish International Cooperation-AECID to the MOF authorities. The event was attended by the Ambassadors to El Salvador from Germany and Spain, USAID COR and Central America Fiscal Studies Institute staff. The MOF authorities were pleased with the document and encouraged the three donors to disseminate it to the Salvadoran Congress, civil society, organizations, and other donors, among others.
- **Presented the municipal fiscal transparency strategy to the municipalities** – The program in coordination with the MOF and the PFGL (previously the Undersecretary of Territorial Development and Decentralization) presented the municipal transparency strategy to the 33 municipalities that will participate in the SIGMUNI fiscal transparency strategy. The municipalities showed interest in participate. A draft agreement of participation was handed in.
- **Developed the data loading software for the SIGMUNI and SAFIM** – The program developed the data loading software for the SIGMUNI and SAFIM. The software conceptual model was presented to the municipalities. The software is a tool that extracts the SAFIM data, converts this data, and sends it to the data model developed in the SIGMUNI.
- **Supported the fiscal transparency portal stabilization** – The program supported the fiscal transparency portal stabilization. Since the portal implementation, the MOF noticed some incidents or bugs that needed to be fixed. The program fixed these issues and the MOF has now total control of the portal software. The program will support more issues if requested.

### ACTIVITIES/WORK PROGRESS

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

- **Monitoring of EXPRESATE center activities** – FPEMP continues 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

- **Follow up the implementation of the MOF human resources system based on competencies** – The program provided the last monitoring to the HR system implementation. The MOF is implementing the system at a low pace, due to issues with the MOF Union, it is expected that the system get fully implemented in a couple of years.
- **Support the development of the municipal fiscal transparency portal** – The program continues supporting the development of the municipal fiscal transparency portal and the data loading software. The program is working with the PFGL to gain approval from municipalities to finally load the fiscal data in the SIGMUNI. This project will provide transparency in the municipal finance management and will help the citizens to control how the mayors and local congress are spending their taxes.

## NEXT STEPS

The main activities for the next quarter include:

- **Monitoring of EXPRESATE center activities** – The program will continue monitoring the EXPRESATE center activities.
- **Support the development of the municipal fiscal transparency portal**– The program will continue working with the PFGL to gain approval from the municipalities to post their fiscal data in the SIGMUNI. Additionally, the program will continue working in the implementation of the data loading software for SIGMUNI and SAFIM. If any issue appears the program will support the solution development.
- **Present the fiscal sustainability agreement to the GOES economic bureau** – During the following quarter, the program expects to present the fiscal sustainability agreement to the GOES economic bureau as agreed with the MOF.

## 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:

<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	In the previous quarter, the DGP supported FPMP on the task of developing the budget programs for the MOE, MOA and MOH. In this quarter, continues to discuss some adjustments.
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. The DGT technical team is supporting FPMP in the test of SAFI II treasury subsystem.
Develop and implement the SAFI II	The MOF in coordination with FPMP continues to develop the SAFI II and validate the use cases for software development. Additionally, the MOF is supporting the accounting registration matrix use cases design. FPMP has developed 36.7% of the treasury subsystem and the MOF the 50% of the budget formulation module.
Develop and implement an e-Procurement System	The UNAC with FPMP support continues implementing the PAAC module, by the end of May more than 23 GOES entities finished registering their procurement plans and 145 began their plans registration using the PAAC system
Increase tax revenues by 2.0 percent of GDP by 2015	The MOF continues to implement the recommendations FPMP made to improve tax control capacities.
Develop new scenarios for private sector and civil society participation in fiscal matters and new transparency and accountability practices	The MOF has full control of the fiscal transparency portal. The old portal was turned off.
Successfully implement current and future tax reforms	The MOF worked with FPMP in reviewing the program tax reform proposal. The proposal will be reviewed with the Minister of Finance next quarter.

## 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	In the previous quarter, the program supported the design of budget programs at the Ministry of Economy (11 institutions), Ministry of Agriculture (4 institutions) and the Ministry of Health (36 institutions). The programs were submitted and are being reviewed by the Ministries. It is expected that they will be introduced in January 2016. Additionally, a study tour was developed to Chile to learn about the budget monitoring and evaluation system and the results oriented budget system.
2. Treasury enabled to make electronic payments on behalf of GOES entities by the end of the project	The program continues to develop the treasury subsystem. As of the end of May the program has developed 36.5% of the entire subsystem.
3. A strengthened MOF Budget-Planning Unit by increasing the knowledge and IT resources of each unit	The program delivered an IVP to learn about budget monitoring and evaluation best practices.
4. Six hundred MOF personnel trained in modern expenditure system management techniques by the end of the project	The program delivered training on IPSAS adoption and implementation to all GOES institutions. The program trained 692 persons, including 314 women.
5. Support the MOF in the migration from SAFI to SAFI II	The program continues to develop the treasury subsystem, validate the use cases and began the development of the accounting registration matrix.
6. Introduce and promote implementation of IPSAS	The program delivered training on IPSAS adoption and implementation to all GOES institutions. The program trained 692 persons, including 314 women. Additionally, the program began the chart of accounts description manual and the accounting registration matrix.
7. A functional web-based Public Expenditure Tracking System available to the public.	The program finished supporting the fiscal transparency portal stabilization and now the MOF has full control of it. The program will support any other issue if requested and will monitor the portal activities.
<b>COMPONENT B</b>	
8. Up-to-date, consistent and clean Taxpayer Current Account (with modern database	The program completed the cleaning of a total of 21,523 taxpayer current accounts and

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management guidelines)	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 continues to develop the CSMS II. The development of the UAAP and contact center is in progress. Additionally, the program is supporting the IT requirements validation of the TAIIA use cases.
11. An automated functional system, which reconciles the taxpayer database on a periodic basis	The program helped the DGII in the reform of a group of functionalities of the tax information system in order to improve the taxpayer's database. Nevertheless, the implementation of the web services system and the migration of the tax information system from the Oracle to the JBoss operational system that the MOF most complete has serious problems and is still in process.
12. No less than 300 MOF personnel trained to effectively apply the fiscal reforms in order to generate the expected additional income	Currently the program is developing a fiscal reform proposal based on the Vice Minister of Revenue's request in order to provide stronger statutory power to the tax administration and to improve tax collection. If the reform is approved, the program will support its dissemination and training.
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. The program is now supporting the implementation of tax administration tax control strengthening activities.
<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. No more training has been provided until now. However, the program is working on a tax reform. If approved, the program will support

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	its dissemination and training.
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	The program presented the fiscal sustainability agreement to the MOF authorities. The MOF was pleased with the document and encouraged dissemination to other donors, Salvadoran Congress, organizations, among others.
16. Development of a Fiscal Transparency Policy with the MOF and GOES	The program passed total control of the fiscal transparency portal to the MOF. Now, the program is working with the PFGL in the development of the municipalities' fiscal transparency portal and the data loading software.
17. A functional state of the art in-house training program to provide MOF personnel with continuous up-to-date techniques and technical knowledge	The program continued to monitor the implementation of the human resources system based on competencies and the implementation of the computer lab.
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	The program presented the fiscal sustainability agreement to the MOF authorities. The MOF was pleased with the document and encouraged to disseminate it to other donors, Salvadoran Congress, organizations, among others.