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

## Quarterly Report

December 2015 – February 2016

March 2016

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

**QUARTERLY REPORT**  
**December 2015 – February 2016**

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## ACRONYMS

AECID	Spanish International Development Agency
AFI	Financial Administration
COMPRASAL	E-Procurement System
CONAMYPE	National Commission for Small and Medium Enterprises
COP	Chief of Party
CORSATUR	Salvadoran Tourism Corporation
CSMS	Case Selection Management System
DAI	Development Alternatives Inc.
DGT	Treasury General Directorate
DGCG	General Directorate for Government Accounting
DGII	General Directorate for Internal Revenue
DGP	Budget General Directorate
DINAFI	National Directorate for Financial Administration
DPEF	Economic and Fiscal Policy Directorate
FOSAFFI	Sanitation and Financial Strengthening Fund
FPEMP	Fiscal Policy Expenditure Management Program
GOES	Government of El Salvador
IDB	Inter-American Development Bank
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
LACAP	Salvadoran Public Procurement Law
MOF	Ministry of Finance
PAAC	Procurement and Contracts Annual Programming
RELACAP	Salvadoran Public Procurement Law Regulation
ROB	Result Oriented Budget
SAFI	National Financial Management System
SDTD	Under Secretary for Territorial Development
SIGET	General Superintendence of Electricity and Telecommunications
SIIT	Tax Administration IT System
TAIIA	Internal Revenue and Customs Appeal Court
TSA	Treasury Single Account

## Fiscal Policy & Expenditure Management Program (FPEMP)

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UAAP	Hearings and Evidence Unit
UACI	Institutional Procurement Unit
UAT	Tax Hearing Unit
UFI	Institutional Financial Unit
UNAC	MOF National Procurement Office
USC	Case Selection Unit
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 (FPMP) is to support a technical assistance program to the Government of El Salvador's (GOES) Ministry of Finance (MOF) in the areas of tax policy and administration, public expenditure management systems, and public-private dialogue between the government, the private sector and civil society. The main counterpart for these activities is the MOF.

FPMP has three main components. These are:

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

Highlights for December 2015 to February 2016, the third quarter of year five, are listed below:

### Quarterly results

- Development of the accounting chart of accounts under IPSAS
- Delivered the Budget General Directorate (DGP) functional administrative reform
- Software development of the COMPRASAL II “*libre gestion*” module
- Support training on administrative law penalties provisions for the UNAC Legal Advisor
- RELACAP Reform Draft proposed to the MOF Viceminister
- Support for the TAIIA use cases adjustment
- Deployment of the CSMS II collection call center module
- Gain approval from the GOES for the tax reform proposal
- Delivered a conference to the Congress on the tax reform proposal
- Support DGT Collection Unit on the Collection of tax arrears
- Delivered a conference for civil society on the tax reform proposal
- Present the fiscal sustainability white paper to the Salvadoran Economic Commission

### Other Activities

- Development of the treasury subsystem
- Support to the National Financial Management System (SAFI) II call center implementation

- Development of the proposal for the legal reform of Financial Administration (AFI) Law for El Salvador
- Support for the public procurement call center implementation
- Support to the implementation of UNAC administrative and functional reform
- Support the public procurement law regulation (RELACAP) reform proposal approval
- Development of the accounting subsystem software
- Development of the accounting description manual under IPSAS
- Development of the accounting policy manual under IPSAS
- Accounting registration matrix use cases modification
- Accounting subsystem use cases modification
- COMPRASAL II “libre gestion” deployment
- COMPRASAL II “licitación y concursos” module use cases design
- E-filing system development
- Support and monitoring of the implementation of the recommendations for tax control strengthening
- Support the creation of the new collections call center
- Support for the tax reform bill approval
- Support for the TAIIA module development
- Deployment of the CSMS II UAAP module
- Stabilization of the CSMS II collection call center module
- Support for the MOF on the definition of the activities to be included in a new IDB loan
- Assist the MOF in the creation of the Public Procurement Ombudsman Office
- Monitoring of EXPRESATE center activities
- Study Tour to Chile to learn about the Chilean experience in the implementation of a Public Procurement Ombudsman
- Support for the development of the municipal fiscal transparency portal

## Introduction

This report covers FPMP activities during the period of December 1, 2015 to February 29, 2016. The program began on June 10, 2011. The contract base period is finished and the program is in its optional fifth year.

USAID commissioned FPMP 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.

FPMP 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 the program, continue supporting the MOF in the implementation of the IPSAS adoption program. The Charts of Accounts description manual was finished and delivered to the DGCG for review and approval. Additionally, the program finished most of the entire public accounting matrices use cases and most of the integration use cases, the only use cases pending are the ones related to accounting consolidation that will be developed during the following quarter.

FPMP developed during the last year a proposal for the reform of the DGP and discussed it extensively with the DGP Director, Deputy Director and the DGP counterpart team designated for the task. Despite the efforts of the project to get the DGP Director final approval to move forward with the implementation, it did not happen. The COP discussed this issue with the Viceminister of Finance and he requested him to submit the proposal in order for him to request the DGP Director to move forward with the task. The COP expressed that if needed the program could support the reform implementation.

The program continued developing the COMPRASAL II. During the quarter the development and testing of the "Libre Gestion" module was finished and is ready for deployment. The Libre Gestion is a full transactional module for public procurement under \$60.000 dollars. The program is already working in the pilot to be implemented in 13 GOES entities including the Central Bank, ministries, municipalities and decentralized institutions. After the pilot the system will be under a "big bang" implementation modality for all the GOES public procurement.



The program continued developing the public accounting subsystem within the SAFI II and was able to develop more than 18% of the entire system in a very short period of time.

### **Component B**

FPEMP continued providing support to the MOF in the fiscal reform proposal, and the COP continued discussing the scope of the reform with the Minister of Finance and his staff. Finally the tax proposal was submitted to the Presidential House for review and approval, it is expected that the tax bill get submitted by March 2016 to the Assembly for approval. Additionally, the program delivered a conference to Civil Society on the Tax Arrears Enforcement Collection best practices and international experience. The event was attended by 88 representatives of civil organization, the press, the Minister of Finance, Viceminister of Finance and the President of the Assembly.

FPEMP made a presentation of the tax reform proposal to the *diputados* of the National Assembly; they were very pleased and convinced on the importance of supporting the tax reform proposed by the program to the GOES.

The CSMS II collection call center was deployed and they were able to improve the tax arrears collection, the goal for the entire year is 16 million and they were able to collect in two months more than 10 million.

The TAIIA use cases were finished during the quarter; the program provided extensive support and continued developing the module.

### **Component C**

During the quarter the COP delivered a conference on the Fiscal Sustainability White Paper to the Salvadoran Economic Commission, The Commission is integrated by eight of the most important ministers and representatives of the largest economic corporation and enterprise associations. The COP explained that despite the significant improvement experienced in tax collection during the last years, the public expenditure is growing at a higher rate. While tax collection ratio to GDP is 16%, the public expenditure ratio to GDP is 21%. That creates a scenario of permanent and structural deficits that force the GOES to continue funding deficit with sovereign debt and the risks are high of falling in a default in the near future. The presentation gained awareness and deep interest from the private sector and the Ministries and they agreed in creating a special commission integrated by the private sector, the GOES and the international community in order to find a way to address this critical situation and draft a possible fiscal sustainability agreement between GOES, private sector and civil society.

## **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:

- **Development of the accounting chart of accounts under IPSAS** – Advancing in the IPSAS adoption, the program worked on the development of the Charts of Accounts that was discussed with the DGCG counterpart team. They made some adjustments requests, some of which were accepted by the program IPSAS experts and others not. The final version was submitted to the DGCG director who approved it.
- **Delivered the Budget General Directorate (DGP) functional administrative reform** – The budget reform, demand from the budget authority, an administrative and functional reform of the DGP, so they can be able to successfully implement and manage the new budget system. FPEMP developed during the last year a proposal for the reform of the DGP and discussed it extensively with the DGP Director, Deputy Director and the DGP counterpart team designated for the task. Despite the efforts, the project neither got the DGP Director final approval for the DGP reform proposal nor authorization to move forward with its implementation. The COP discussed this issue with the Viceminister of Finance and he requested him to submit the proposal in order for him to request the DGP Director to move forward with the task. The COP expressed that if needed the program could support the reform implementation.
- **Software development of the COMPRASAL II “libre gestion” module** - The program completed the use cases development of the Transactional "Libre Gestion" module. During this quarter, FPEMP completed the programs for the Electronic Award, Purchase Order or Contracts Generation and Loading of Signed Contracting Documents, Budget Commitment to the Financial System Generation and Declaration of Desert Bidding and Void Process. They are running the first list of observations resulting from the testing process of the “Libre Gestion” module. Additionally, FPEMP will continue with the development of software programs for monitoring the purchase orders or contracts through the reception certificates and accrued generation.
- **Support training on administrative law penalties provisions for the UNAC Legal Advisor** - FPEMP funded a course on Administrative Law Penalties Provisions to improve knowledge and technical capacities of UNAC Legal Advisor. During this quarter the Legal Advisor finished the course, but in order to improve the technical capacities of all UNAC employees, FPEMP requested the Advisor to deliver training to coworkers using the new knowledge obtained during the course. The training will be delivered during the following quarter.
- **RELACAP Reform Draft proposed to the MOF Viceminister** - The program proposed to MOF Viceminister a reform draft for some articles of the Public Procurement Law Regulation (RELACAP). The reform will focus on providing treatment to the electronic transaction processing and include the mandatory use of the Electronic System COMPRASAL II by all the institutions of the Salvadoran Public Administration subject to

the LACAP. The Viceminister agreed with the proposal and requested UNAC and FPEMP to move forward.

## ACTIVITIES/WORK IN PROGRESS

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

- **Development of the treasury subsystem** – The treasury subsystem must be integrated and operating with the budget and accounting subsystem, in that regard, some modules components of the treasury subsystem require that some modules components of the budget subsystem get developed. On October 2<sup>nd</sup> 2015 the COP requested the DINAFI Director the access of FPEMP IT programmers to the budget modules components that the treasury development requires. The DINAFI Director committed his office to provide within two months what FPEMP needed and promised to prioritize it. Due to the fact that the DINAFI unexpectedly decided to change the IT development infrastructure, up to date, six months after, the DINAFI hasn't granted the program access to the budget modules components necessary to continue with the treasury subsystem. In that regard, during this quarter, FPEMP has not been able to make much progress in the development of the treasury subsystem. The program had several meetings with DINAFI, however DINAFI said that they can't do these module components yet because those software pieces haven't been built yet. However, the Treasury Counterpart Team has continued testing what has been developed to date, to advance in the testing phase. The COP raise this issue to the Viceminister and the program expect this situation can be solved before mid-April.
- **Support to the National Financial Management System (SAFI) II call center implementation** – In order to successfully implement the SAFI II, the program is working in the creation of the call center for the treasury, accounting and COMPRASAL II system. During the quarter, the program coordinated with the MOF the development of the necessary office space modification so FPEMP can proceed with the call center furnishing and software installation. By the end of the quarter the MOF prepare the area for the FPEMP furnishing. During the following quarter, the program will proceed with the furnishing procurement and the call center staff training.
- **Development of the proposal for the legal reform of Financial Administration (AFI) Law for El Salvador** – In order to successfully implement the public expenditure reform, it is necessary for the GOES to modify the AFI Law. The program developed a draft of the AFI Law reform proposal. The reform proposal incorporates the necessary regulation to guarantee appropriate fiscal sustainability and fiscal discipline to the GOES public expenditure, the ROB regulation, the necessary IPSAS adoption regulation and the TSA regulation. FPEMP discusses the reform with the DGT, DGCG and DPEF directors, who agreed with the proposal. Finally, the program submitted the proposal to the Viceminister of Finance for the MOF to move forward with the review and the final drafting in order to submit it to the Presidential House for review and to the assembly for approval. FPEMP agreed with the Viceminister to provide the necessary support in the following steps if needed and requested by the MOF.

- **Support for the public procurement call center implementation** - FPEMP supported the newly hired UNAC Call Center Chief in the process of transferring knowledge from DGII Call Center Supervisors to UNAC Call Center employees with the aim of providing knowledge and learn from the best practices used on DGII Call Center. Additionally, this information will help UNAC on the development of the “Call Center Implementation Project Profile” Document that they are developing.
- **Support to the implementation of UNAC administrative and functional reform** - The program continued supporting MOF Viceminister approval to hire the required personnel for the new positions needed to implement the new and reformed UNAC organizational structure. Additionally, FPEMP is providing support to the new staff that is being hired.
- **Support the public procurement law regulation (RELACAP) reform proposal approval-** FPEMP continued providing support to LACAP and RELACAP reform proposals. During this quarter, the program supported the drafting of the following RELACAP articles: Art. 8) Electronic Public Procurement System; Art. 9) Public Procurement Administration National Register; Art. 44) Offer Presentation Modalities and; Art. 51) Public Bids Opening. The proposal was presented to the Viceminister of Finance who concurred with the proposal and requested UNAC and FPEMP to move forward.
- **Development of the accounting subsystem software** - The program continued the development process of the accounting subsystem software. As part of the development strategy, the program begun to move forward with the development of matrices of accounting events and with the development of some dependencies that are required for the proper functioning of the matrices. Additionally, during this quarter FPEMP tried to identify the dependencies that the SAFI II Government Accounting Subsystem has with other subsystems. DGCG Director sent this information to DINAFI Director to solve these issues as soon as possible.
- **Development of the accounting description manual under IPSAS** – Once the Charts of Accounts was approved by the DGCG Director, FPEMP proceed to develop the Charts of Accounts description manual, a necessary tool for the new IPSAS adoption implementation. The description manual was submitted to the DGCG for approval, it is expected that by March they send comments on the manual in order to proceed with the correction and finally gain approval from the Director.
- **Development of the accounting policy manual under IPSAS** – The program continued supporting the DGCG counterpart team in the development of the accounting policy manual. The policy manual initially will include the manual for the IPSAS that deal with property, plant and equipment, investments assets, agriculture, inventory and intangible assets. Those components of the policy manual are almost ready for final approval of the DGCG director, and FPEMP expects that this first part of the policy manual will be approved before the end of April.
- **Accounting registration matrix use cases modification** - The program followed up the modifications that the MOF is doing to the conceptual design of the Human Resources and Treasury modules. Since the accounting matrices require a set of input data for their operation, the changes that MOF is doing on the Human Resources and Treasury modules will required changes in the use cases for the accounting matrices of wages, withholding or

deduction and borrowed funds in custody. The final result of these changes will be an increase/decrease in the columns and record levels of accounting matrices.

- **Accounting subsystem use cases modification** - FPEMP followed up the MOF progress on determining the functions of the Billing Module. Additionally, FPEMP followed up the modifications that MOF is doing to the Goods Module.
- **COMPRASAL II “libre gestion” deployment** - The program developed the implementation and training plan of the “Libre Gestion” Module for 13 pilot institutions. The institutions that will be included in the pilot are: Ministry of Finance, Ministry of environment, Ministry of Justice, Central Bank, CONAMYPE, CORSATUR, SIGET, Nueva Concepcion Hospital, San Rafael Hospital, Municipality of Zacatecoluca, Aeronautic Authority, FOSAFFI and Ministry of Health. The training plan to the institutions staff will begin in April and will finish in May. Additionally, the program will support the stabilization of the “Libre Gestion” Module. Once the pilot is finished, the deployment will move to the big-bang modality to all GOES institutions.
- **COMPRASAL II “licitacion y concursos” module use cases design** - FPEMP continued providing support in the development of the “Licitacion y Concursos” Module use cases. In this quarter, the program focused on the use cases development for the first stage of the Contract Documents Adequacy, Adequacy of the Bids Assessment System, Adequacy of Safeguards Required in the Bid Process, Bidding Calls Publication, Sending and Receiving of Inquires and Sending and Receiving of Clarifications.

## NEXT STEPS

Main activities for the next quarter include:

- **Development of the treasury subsystem** – During the following quarter, FPEMP will continue the development process of the treasury subsystem under the development strategy defined in 2012, this is, through Use Cases and the development "framework" used since the beginning of the program. DINAFI defined that during the first week of April they will start to solve the budget modules components that the Treasury System development needs. Meanwhile, the program will continue testing the software that already has been developed.
- **Support to the National Financial Management System (SAFI) II call center implementation** – During the following quarter the program will move forward with the call center furnishing and the equipment procurement. The areas included in the call center are accounting and treasury.
- **Development of the proposal for the legal reform of Financial Administration (AFI) Law for El Salvador** – During the following quarter, the program will continue advocating with the Viceminister of Finance in the approval of the AFI Law reform proposal that FPEMP developed during the previous quarters.
- **Support for the public procurement call center implementation** – During the next quarter, the program will continue supporting UNAC in the development of the “Call Center Implementation Project Profile” Document, to establish the scope, types of products and procedures of the services that the Call Center will provide.

- **Support to the implementation of UNAC administrative and functional reform** - The program will continue providing support to UNAC by giving advice to the new staff that is being hired. Moreover, FPEMP will continue transmitting the objectives and scope of COMPRASAL II project to new UNAC personnel.
- **Support the public procurement law regulation (RELACAP) reform proposal approval**- In the following quarter, FPEMP will continue supporting the development of the RELACAP reform proposal. Specifically, the program will focus on the articles that include E-Procurement system, national registry of public procurement, bids proposals submission, bids proposals opening act. All this regulation must be reformed in order to improve the COMPRASAL II implementation and to make its use mandatory.
- **Development of the accounting subsystem software** – During the following quarter, the program will continue with the software development of the SAFI II Accounting Subsystem. In coordination with the Government Accounting Counterpart Team, FPEMP will test each software piece as soon as it is built. Additionally, the program will coordinate with DINAFI the integration of the Government Accounting Subsystem with the others subsystems.
- **Development of the accounting policy manual under IPSAS** – During the following quarter the program expects that the DGCG finally finished the review and approval of the accounting policy manual IPSAS necessary for the preliminary implementation of IPSAS during the year 2017. FPEMP received the corrections from the DGCG counterpart and will review and make the final changes.
- **Accounting registration matrix use cases modification and testing** - To verify the correct operation of the accounting matrices, during the next quarter FPEMP will begin the testing phase of the Accounting Registration Matrix use cases. The main objective of this phase will be detecting errors in the data, logic and functionality requirements or in the implementation of the accounting matrices. To meet this objective, FPEMP will create a series of tests that will allow finding different kinds of errors. Once errors are detected, they will be subject to correction, and then a new test will be done. This process will be done as many times as necessary until FPEMP obtains a certain level of confidence in the software.
- **Public Accounting Consolidation Module use cases development** - During the next quarter, FPEMP will move forward developing the public accounting consolidation module use case. The program will complete the schedule of tasks and guidelines of the module. Additionally, the program will support the design of the screens and final wording of the use cases.
- **Public Accounting system procedure manual development** - In the following quarter, FPEMP will develop the public accounting subsystem procedure manual. The procedure manual is necessary for the system implementation.
- **COMPRASAL II “libre gestion” deployment** - During the next quarter, the program will work on the stabilization process of the new version of the “libre gestion” software. FPEMP will also work on the development of software programs for Monitoring the Purchase Order or Contract through completion certificates and accrued generation. Additionally, the program will begin the pilot implementation activities.

- **Training to pilot institutions that will implement COMPRASAL II “libre gestion” module** – In the following quarter, FPEMP will start implementing the training plan for the 13 pilot institutions that is expected to take place between April and May. It is estimated that 500 people will be trained, including applicants profiles, UACI’s and UFI’s staff from the 13 pilot institutions. In addition, FPEMP will also deliver training to Contract Administrators and the program is also planning to engage government suppliers in the “Libre Gestion” processes of the 13 pilot institutions. These suppliers will be provided with a training program of supplier registration, seek of opportunities and online quotes presentation through COMPRASAL.
- **COMPRASAL II “licitacion y concursos” module use cases design** - The program will continue with the development of the use cases for the “Licitacion y Concursos” Module. In the following quarter, FPEMP will focus in the Submission of Tenders, Evaluation of Tenders and Award Phase use cases.

## 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:

- **Support for the TAIIA use cases adjustment** – FPEMP finished supporting use cases adjustment for the CSMS II - TAIIA. This process was made to ensure that the functional specifications are present on the software pieces that will be built.
- **Deployment of the CSMS II collection call center module** - The program satisfactorily deployed the CSMS II collection call center module. From now on, all phone calls collections are registered in this software tool, giving DGII a better historical control of taxpayer's behavior.
- **Gain approval from the GOES for the tax reform proposal** - The tax reform proposed to the Ministry of Finance finally obtained the approval from the Minister of Finance, the Presidential Legal Department and the President of the Republic, the tax bill initiative is ready to be submitted to the Assembly during the following quarter. The President highlighted the initiative as fundamental for the country in order to improve tax collections and obtain the most needed resources for the social investment the country needs.
- **Delivered a conference to the Congress on the tax reform proposal** – The program delivered a conference to some *Diputados* on the tax reform proposal FPEMP developed and proposed to the GOES. The *Diputados* were really impressed with all the reform proposed and the expected results on revenue mobilization.
- **Support DGT Collection Unit on the Collection of tax arrears** - As explained before, the IT tools developed by the program for the collection department of DGT helped the tax arrears collection office to achieve the 62% of the year collection goal, by the end of February they collected \$10 million out of the \$16 million goal for the year.

### ACTIVITIES/WORK PROGRESS

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

- **E-filing system development** – FPEMP had meetings with the Case Selection Unit-USC counterpart team that will be in charge of the e-filing system use cases design and it was agreed that they will detail the functional aspects that this software solution must have. During the reporting period, FPEMP also provided a workshop on how the functional requirement must be fulfilled. Additionally, the program made a proof of concept to illustrate what should be expected as a software solution for the e-filing.



- **Support and monitoring of the implementation of the recommendations for tax control strengthening** – The program continued providing support to the DGII in the implementation of the tax control strengthening program. As assessed by FPEMP last year, the DGII tax control areas are technically weak. In that regard, the program is working with the MOF in several strategies to strengthen the tax control programs. To date they have collected more than \$56 million in additional resources as a result of the strengthening program FPEMP is supporting.
- **Support the creation of the new collections call center** - The program provided support to the creation of the new collection call center that was using the premises of the DGII fiscal compliance call center. The call center the program created for the tax arrears collection has been very successful and the MOF will increase the number of personnel assigned, in that regard, the MOF requested FPEMP to support its expansion. Due to the fact that the premises of the Fiscal compliance call center can't host all the new staff, FPEMP will create a new call center for the DGT Tax Arrears Collection Call Center. During the quarter, the program worked with the MOF administrative office in the creation of the new call center. The MOF made the necessary reforms to the premises under the advice of the program experts (in order to fulfill the call center standards), and the premises are ready for FPEMP to move forward with the premises furnishing and the call center equipment supply. During the following quarter, the program will release the PO.
- **Support for the tax reform bill approval** – FPEMP continued supporting the MOF in the review and analysis of the tax reform proposed by the program. Additionally, the program delivered conferences for civil society and Assembly members to help them understand its scope and importance. Additionally, the COP explained the international donors' community the main components and status of the tax reform. The tax bill is ready to be submitted to the Assembly for approval.
- **Support for the TAIIA module development** – FPEMP continued developing the CSMS II – TAIIA module and provided support by performing test and clarifying doubts of the counterpart team. This process is going according to what was scheduled.
- **Deployment of the CSMS II UAAP module** – FPEMP already completed the development of the three UAAP modules (UAT, SIIT and notifications) but the counterpart team will be able to start working on the testing and deployment of these modules until the last week of April. This was discussed with USC Chief Jeremias Aguilar and USC staff Claudia Aguilar.
- **Stabilization of the CSMS II collection call center module** - FPEMP provided support in the stabilization process of CSMS II - collection call center module and clarified some doubts that the counterpart team had about the module. As usual, the program did not find serious bugs that stop the process from continuing. The process is moving forward as planned.
- **Support for the MOF on the definition of the activities to be included in a new IDB loan-** The IDB is working with the MOF on a \$25 million loan to reform all the Hardware infrastructure of the Viceminister of Revenue (DGII, DGA and DGT). The Bank requested the support of FPEMP in the development of the loan activities and project matrices, due to the fact that the IDB considered that what the program is doing in helping DGII moving forward with the IT and technical reforms is the right thing to do. During the quarter FPEMP worked with the DPEF, IDB and the Viceministers offices in the development of the project

matrices. This program loan will help the Viceminister of Revenue to modernize the entire hardware infrastructure, what will help CSMS II, JSIIT and E-Filing System to boost its capacities and performance.

## NEXT STEPS

Main activities for the next quarter include:

- **E-filing System development** – In the following quarter, the program will continue supporting USC in the standardizing process of the functional requirements, using FPEMP methodology, to start analysis and modeling. During this phase the e-filing project scope will be specified.
- **Support and monitoring of the implementation of the recommendations for tax control strengthening** – The program will continue supporting the DGII in the implementation of the tax control strengthening program. As recommended by FPEMP a performance evaluation for the tax auditor will be implemented, in order to improve the tax control outcomes and reduce tax evasion.
- **Support the creation of the new collections call center** - During the next quarter, FPEMP will continue supporting the creation of the collections call center. The experience acquired by the program in the creation of other call centers will be used to guarantee that this one also be a success. FPEMP will also support acquisition of furniture and equipment and will keep tracking and monitoring all the implementation process.
- **Support for the tax reform bill approval** – During the following quarter the program will continue supporting the MOF on advocating for the tax bill approval. Once approved, FPEMP will support its implementation.
- **Support for the TAIIA module development** – With the support of the Counterpart Team, the program will continue the deployment process of CSMS II - TAIIA components. Also, FPEMP will perform software testing and doubts clarifying when required, everything according to what was planned.
- **Deployment of the CSMS II UAAP module** – During the following quarter, in coordination with the Counterpart Team, FPEMP expect to start the testing and deployment process of CSMS II UAAP Module. However, this activity could be postponed due to the ending of the Salvadoran fiscal year.
- **Stabilization of the CSMS II collection call center module** – FPEMP will continue supporting the stabilization of this software in order to ensure full adoption of the module.
- **Support for the MOF on the definition of the activities to be included in a new IDB loan-** FPEMP will continue supporting the MOF in the development of the loan program, in order to focus on the key IT infrastructure modernization areas that will help MOF and FPEMP software solutions improve the performance of the Viceminister of Finance. The FPEMP staff will take full advantage of its deep knowledge on the MOF IT system and infrastructure to help them prepare a successful modernization program.

## COMPONENT C: Private Sector Outreach

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

### KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

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

- **Delivered a conference for civil society on the tax reform proposal** – The program delivered a conference to civil society on the international experience on Tax Arrears Enforcement Collection, explaining the importance for El Salvador to adopt this regulation in order to improve revenue mobilization to fund the country social investments. The event was attended by 88 representatives of civil society organizations, the President of the Assembly, the Minister of Finance, the Viceminister of Finance, the DPEG Director and the press. The President of the Congress and the Minister of Finance highlighted the importance of the tax reformed proposed by FPEMP and gave thanks for all the support FPEMP is providing on this matter.
- **Present the fiscal sustainability white paper to the Salvadoran Economic Commission** – The FPEMP COP delivered a conference on the Fiscal Sustainability White Paper to the Salvadoran Economic Commission, The commission is integrated by eight of the most important ministers and representatives of the largest economic corporation and enterprise associations. The COP explained that despite the significant improvement experienced in tax collection during the last years, the public expenditure is growing at a higher rate. While tax collection ratio to GDP is 16%, the public expenditure ratio to GDP is 21%. That creates a scenario of permanent and structural deficits that force the GOES to continue funding deficit with sovereign debt and the risk are high of falling in a default in the near future. The presentation gained awareness and deep interest from the private sector and the Ministries and they agreed in creating a special commission integrated by the private sector, the GOES and the international community in order to find a way to address this critical situation and draft a possible fiscal sustainability agreement between GOES, private sector and Civil society.

### ACTIVITIES/WORK PROGRESS

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

- **Assist the MOF in the creation of the Public Procurement Ombudsman Office** – FPEMP assisted UNAC in the development of the “Implementation of the Public Procurement Ombudsman Project Profile” document, which will determinate the objectives and scope of services to be provided in the Public Procurement Ombudsman Office. The document was

submitted and presented to the Viceminister of Finance. He approved the initiative and requested FPEMP and UNAC to move forward with the office creation.

- **Study Tour to Chile to learn about the Chilean experience in the implementation of a Public Procurement Ombudsman** – In coordination with the Chilean Ministry of Finance, FPEMP coordinated a study tour to Chile for UNAC personnel where they will learn about the Chilean experience in the implementation and administration of a Public Procurement Ombudsman. During the following quarter, the UNAC team will travel to Chile to attend the study tour.
- **Monitoring of EXPRESATE center activities** - FPEMP continued monitoring activities in support of the tax awareness program for youth through the MOF's EXPRESATE Center. To date, 6059 students have visited the center, including 3286 women.
- **Support for the development of the municipal fiscal transparency portal** –The program continued working with the Undersecretary for Territorial Development in the development of the municipal fiscal transparency portal. By the end of the quarter, more than 23 municipalities expressed their interest to integrate the fiscal transparency portal. It is expected that during the following quarter the portal will start the pilot data loading.

## NEXT STEPS

The main activities for the next quarter include:

- **Assist the MOF in the creation of the Public Procurement Ombudsman Office** - During the following quarter, the program will continue supporting UNAC in the development of the “Implementation of the Public Procurement Ombudsman Project Profile” document. Additionally, FPEMP will support the development of the use cases that will be use to design the Public Procurement Ombudsman web site, where Salvadoran citizens will be able to query contracts information, send complaints about contracting processes and help GOES monitoring regulations compliance in the procurement processes carried out by the public institutions.
- **Study Tour to Chile to learn about the Chilean experience in the implementation of a Public Procurement Ombudsman** – In next quarter, FPEMP will fund a study tour to Chile for three UNAC personnel. It is expected that during this study tour they will learn about the Chilean experience in the implementation and administration of their Public Procurement Ombudsman, ChileCompra. The study tour will take place between March 9, 2016 and March 11, 2016.
- **Monitoring of EXPRESATE center activities** - The program will continue monitoring the EXPRESATE center activities.
- **Support for the development of the municipal fiscal transparency portal** – During the next quarter, the program, in coordination with the UTD, will develop the data loading test in order to finally release the new fiscal transparency portal.

## 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:

GOES Target	Progress
Build the foundations to move from the current budget system to a Results-Oriented Budget system for Health, Agriculture and Economy	The DGP didn't comply with the administrative and functional reform agreed with the MOF and developed by FPEMP in coordination with the DGP staff. The program submitted the reform proposal to the Viceminister of Finance and expects that he can finally get the DGP in compliance with the previous agreements.
Implement a fully operational treasury single account	The DINAFI hasn't complied with the development of the budget modules components that are necessary to continue developing the treasury subsystem that will fully implement the advance TSA.
Develop and implement the SAFI II	The DGCG with FPEMP support finished the use cases design for the Public Accounting Subsystem and uploaded it in the Tuleap software for development.
Develop and implement an e-Procurement System	The UNAC team with the support of FPEMP staff finished the development of the "libre gestion" module and began the preparatory activities for its deployment. The implementation of the PAAC continued during the quarter.
Increase tax revenues by 2.0 percent of GDP by 2015	The MOF continues to implement the recommendations FPEMP made to improve tax control capacities. During the quarter, with FPEMP support the DGII continue moving forward with the activities designed in the fight against tax evasion plan. So far more than \$54 million has been collected.
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 continued reviewing the FPEMP tax reform proposal. The Minister of Finance submitted the Tax Bill initiative to the President of the Republic and the tax bill is finally ready to be submitted to the assembly by late March.

## FPEMP's Progress Report – Performance Indicators

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

FPEMP result	FPEMP progress
COMPONENT A	
1. At least twenty-five Public Sector Institutions using multi-year Results-Oriented Budgets by the end of the project	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. These programs are the basic input for the budget formulation of 2017 that is already being done.
2. Treasury enabled to make electronic payments on behalf of GOES entities by the end of the project	The program already developed 42% of the Treasury system, but is still waiting that DINAFI release the Budget modules components necessary to continue the development of the treasury subsystem. During the quarter, the COP addressed this issue with the Viceminister of Finance and the MOF authorities promised to release the information by mid-April.
3. A strengthened MOF Budget-Planning Unit by increasing the knowledge and IT resources of each unit	During the previous quarters, the program supported the DGP by delivering study tours to learn about budget planning, budget execution and budget monitoring and evaluation.
4. Six hundred MOF personnel trained in modern expenditure system management techniques by the end of the project	During the program life FPEMP has provided training on Programmatic Budget system, ROB, budget monitoring and evaluation, TSA, IPSAS, E-procurement systems and public expenditure transparency practices and accountability to more than 700 MOF employees.
5. Support the MOF in the migration from SAFI to SAFI II	The program continues to develop the treasury subsystem and has started the development of the accounting subsystem. By the end of the quarter the program has completed more than 42% development of the Treasury Subsystem and 18% of the Accounting Subsystem. Additionally, the program finished the development of the public account registration matrices.

6. Introduce and promote implementation of IPSAS	During the previous quarter, the program delivered training on IPSAS general accounting policies for non-financial assets. It was attended by 37 people, 28 from the DGCG, 5 from the Audit Court, and 4 from the University of El Salvador. During the project life the program has trained more than 400 GOES staff.
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. In the quarter, the MOF requested support to improve the data loaded in the system.
<b>COMPONENT B</b>	
8. Up-to-date, consistent and clean Taxpayer Current Account (with modern database management guidelines)	The program completed the cleaning of a total of 21,523 taxpayer current accounts and supported the GOES institutionalization of the taxpayer current account cleaning. Since mid-January, the MOF has performed this cleaning as part of its regular operations. Additionally, the program worked in coordination with the DGII in the development of the use cases of the e-filing that will be developed.
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 finished and is in the process of deployment. The IT requirements validation of the TAIIA use cases was finished.
11. An automated functional system, which reconciles the taxpayer database on a periodic basis	The program developed the web services implementation assessment. The document contained the system assessment and recommended that the MOF develop an e-filing system. In that regard, the program continued supporting the DGII in the development of the use cases during the quarter.
12. No less than 300 MOF personnel trained to effectively apply the fiscal reforms in order to generate the expected additional income	The tax reform proposal developed by FPEMP was submitted to the Presidency as a tax bill initiative. If it is approved by the congress 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. Additionally, the program included a large reform on the transfer pricing regulation within the tax reform bill. The new regulation would provide stronger statutory power to the large tax payers transfer pricing unit.
<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, if Congress approves the FPMP tax reform proposal, the program will support 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	During the previous quarter the program COP made a presentation of the Fiscal Sustainability Proposal White Paper to the Presidential Economic Commission. The Minister of Finance highlighted his presentation and recommendations as critical for the country's fiscal sustainability and the Technical Secretary of the Presidency requested a presentation to the Interpartidaria. All the Minister members of the commission and the Vice President of the Central Bank recognized the importance of the assessment and recommendations.  As explained before, during the quarter the program COP delivered a conference to the Salvadoran Economic Commission. This conference is opening a space of discussion and work between the GOES and the private sector to work on a fiscal sustainability strategy.
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



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	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 supported 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 COP presented the Fiscal Sustainability Recommendations White Paper to the Presidential Economic Commission. As explained before, during the quarter the program COP delivered a conference to the Salvadoran Economic Commission. This conference is opening a space of discussion and work between the GOES and the private sector to work on a fiscal sustainability strategy.