

PDAAA 502 - F1

PROJECT EVALUATION SUMMARY

1. Mission or AID/W Office Name AID/W Salvador		2. Project Number 519-11-790-171	
3. National Cadaster Project dates (fiscal years) a. Start Agreement Signed: 10/28/75 b. Final Obligation: FY 77 c. Final input delivered: FY 78		5. Total U.S. funding - life of project \$266,000	
4. Evaluation number as listed in Expt. Schedule	7. Period covered by this evaluation From: 3/76 To: 6/77 Month/Year Month/Year		8. Date of this Evaluation Review 7/27/77 Month/Day/Year
9. Action Decisions Reached at Evaluation Review, including items needing further study.		10. Officer or Unit responsible for follow-up	11. Date action to be completed
<ul style="list-style-type: none"> 1) Prepare cable in response to State 134388 regarding resignation General Cadaster Advisor indicating no need for replacement 2) Amend PASA AID/W 519-171-2-60014 as follows: <ul style="list-style-type: none"> a. Revise Scope of Work assigning project management responsibilities to Valuation Advisor. b. Provide for services of a computer systems analyst, and audit/collection & information systems advisors. c. Undertake final evaluation of contract performance. (Westrick) d. Prepare and translate into Spanish summary of evaluation findings including revised budget items for purpose of discussing project design and implementation with GOES. 		GDO/PO GDO/PO GDO/GSO/JAS PO	8/8 8/30 9/30 8/15

12. SIGNATURES

Project Officer Signature: <i>Sidney Chernenkoff</i>	Mission or AID/W Office Director Signature: <i>Philip Schwab</i>
Typed Name: Sidney Chernenkoff Date: _____	Typed Name: Philip Schwab Date: 5/11/77
Evaluation Officer Signature: <i>Joel O. Cotten</i>	
Typed Name: Joel O. Cotten Date: 5/10/77	

13. COPIES

PO: Handler *[Signature]*

DDIR: Carpenter *[Signature]*

13. Summary

Although the fiscal cadaster survey is progressing satisfactorily and tax revenue targets are being met, it is unlikely, in the eight months remaining in this project, that the purpose, "to establish a national cadaster system", will be fully realized.

The shortcomings of the project to date have been mainly (1) the lack of effective coordination among the various entities involved in the project; (2) ineffectiveness of the computer center's systems analysis and programming staff, and (3) failure to emphasize in the original project design the need for the development of systems to support more effective audit and tax collection functions. These shortcomings are addressed more fully in subsequent sections of this report.

The most significant accomplishments of this project have been made in the organization and operation of the Fiscal Cadaster Department of the Ministry of Finance. The operation there has been changed from a loosely controlled individual property appraisal operation to a mass appraisal operation in which strict controls are maintained on work flow and production as well as on the base values used in the valuation process. However, as subsequent evidence will demonstrate, the accomplishments are diminished by shortcomings in the system maintenance and end-use functions.

Therefore, it is the conclusion of this evaluation that in order to establish a fully viable National Cadaster System which can begin to contribute to the goal of increased tax revenues, it appears at the present time that additional assistance will be required.* A continuing advisory effort is needed to complete the conversion of the Fiscal Cadaster Department to an effective mass appraisal system which will assure more rapid completion of the initial cadaster survey. Advisory assistance may also be required to aid in preparation for changeover from the initial cadastral operation to a maintenance operation. Some emphasis should be placed upon improving the capability of the computer operation. The short-term services of a programmer competent in "assembler language" would be desirable for rewriting the programs used in the cadastral operation so they would be more useful to end-users. For the long-term some training is needed to develop and indigenous capability in systems analysis and programming. Since this would involve assistance beyond the anticipated termination date for this activity it might be handled through the Information/Data Management Improvement Project proposed in the FY 1979 ABS. 1/

1/ Subsequent to the preparation of this document, the Mission has learned that the Information/Data Management Project was rejected during the ABS review in AID/W. This decision will probably delay timely achievement of the revenue improvement goal of the National Cadaster Project.

* TDY assistance will be provided in areas cited below. (See Facesheet, Block 9, item 2b.) Initial TDY will identify nature and scope of remaining needs.

In addition audit advisory services are needed to assure the rapid development of a viable validades tax audit system, in both the office and field, based on readily available, updated valuation information. Finally, advisory services would be highly desirable to improve collection reporting and information services.

14. Evaluation Methodology

A regular evaluation of the National Cadaster project was initiated in February 1977 as scheduled. Preliminary discussions were held with the advisory team at which time an evaluation schedule was outlined and agreed upon. The project Logical Framework was translated into Spanish by the Program Office and distributed to key government personnel by the advisory team. The advisory team explained to their counterparts the purpose of the evaluation and methodology to be followed. On March 2 an initial meeting was held with the Director General of Direct Taxes to explain the use of the logical framework for managing and evaluating the project. Additional meetings were held March 9 and March 15 to discuss progress against key indicators. The following people were present:

- Mr. Genaro Antonio Rodas, Director General of Direct Taxes
- Mr. Lino Medina, Director General of the Computer Center
- Mr. José Flamenco, Chief of Operations, Computer Center
- Mr. Víctor Montoya, Data Processing Analyst, Computer Center
- Mr. Jaime Amaya, Chief, Data Processing Department, National Geographic Institute (IGN)
- Mr. Márquez, Sub-Chief, Maintenance Department, IGN
- Mr. Alfonso Pineda Gutiérrez, Chief, Fiscal Cadaster Department
- Mr. P. Torre, Fiscal Cadaster Advisor, IRS/PASA
- Mr. D. Stocks, General Cadaster Advisor, IRS/PASA
- Dr. J. Cotten, Program Office, USAID

Completion of the PES was delayed due to other Mission priorities, however, periodic meetings were held with the advisory team to update progress and provide additional information in areas where project implementation problems were identified.

15. Documents to be revised to reflect decisions noted page 1

- PP
- Log Frame
- PIO/T
- PIO/C
- PIO/P
- ProAg
- Other: PASA Scope of Work

- This evaluation brought out ideas for a new project. PID will follow.

16. External Factors

The original Project Paper for the National Cadaster project was not approved by the DAEC because government commitment to initiate tax collections based on cadaster data was questioned. The Mission was requested to negotiate GOES agreement to a time phased plan committing the government to utilize cadaster data in the collection process region-by-region as the cadaster in each region was completed. The government was not agreeable to such phasing because of anticipated adverse public reaction to the inequities which would result, but proposed to implement revised tax revenue measures on a nationwide basis as soon as the initial cadastral survey was completed. It was assumed then and it is still expected that this will be accomplished sometime in mid 1978 or early 1979.

A new administration assumed office in July 1977. It is too soon to tell how this will affect the National Cadaster Program, but at present there is no reason to believe that the present government is less interested in implementing the program than the former.

A number of amendments to the present cadastral law have been under study in the National Assembly for two years or more and are still pending. The new law when passed will facilitate the process of maintaining cadastral information current, since it will oblige Public Notaries to report to field maintenance offices any changes in ownership or other modifications to property. The "Ficha Catastral" information will be included in most of the Registry transactions involving real property and will thus aid in positive identification of properties being sold, transferred, split or otherwise changed.

Indirectly the valuation department will benefit, since property change information and therefore valuation update will be more timely.

Although further delays in passage of these modifications to the law will not significantly affect progress of the initial cadastral survey, it may adversely affect the efficiency of the maintenance operation which will in turn have an impact upon achievements of the program goal.

TABLE 1

COMPARATIVE TAX COLLECTION (\$ MILLION)AND ANNUAL PERCENTAGE INCREASES

- 5 -

T A X E S	1972	72/73	1973	73/74	1974	74/75	1975	75/76	1976	(%) Average Annual Increase
NET WORTH	6.540	12	7.333	8	7.929	20	9.487	9	10.349	12
LAND SALE	1.314	40	1.845	11	2.043	8	2.210	15	2.549	18
GIFT	.298	32	.394	-30	.274	75	.479	131	1.105	52
INHERITANCE	1.128	136	2.666	-46	1.433	29	1.848	167	4.940	71
T O T A L	9.280	32	12.238	- 5	11.679	20	14.024	19	18.943	17

SOURCE: Dirección General de Contribuciones Directas.

In conclusion, data indicates that there is reason to believe that the goal, as stated, will be achieved. However, the measures of goal achievements are not appropriate indicators of the impact of the National Cadaster project.

It is therefore recommended that revised measures of goal achievement be jointly developed to reflect increases in revenue which could be reasonably expected when the purpose of the project has been achieved. This is discussed further in Section 20.

18. Purpose

The purpose of this project is "to establish a national cadaster system". In general, a cadaster system includes functions such as cadastral mapping, identification of parcels, property valuation, maintenance of current ownership and value information, and data processing to provide information in support of various tax administration functions such as tax audit and collection.

In El Salvador, the national cadaster operation is dependent upon the outputs of several different entities. The Fiscal Cadaster Department (FC) of the Directorate General of Direct Taxes within the Ministry of Finance (MOF) is the front line unit charged with the responsibility of valuing all urban and rural properties in the Republic of El Salvador. To carry out its task, the FC must collaborate closely with the National Geographic Institute (IGN) within the Ministry of Public Works which is responsible for producing all maps, delineating property boundaries and identifying property owners. Other units involved in the cadaster are the Computer Center of the MOF, which must store, process and make available to various end-users, all data having to do with property identification, ownership, value, etc.; the Taxpayer Identification and Control Department of the MOF, which issues and controls the taxpayer identification numbers (NIT); the Real Property and Mortgage Registry within the Ministry of Justice, which records property ownership, mortgage and transfer data on the basis of legal documents presented for registry; and the Ministry of Agriculture and Livestock which is responsible for the classification of land use, productivity, etc. (Figure 1 on the following page provides a graphic description of the National Cadaster System illustrating organizational relationships, processes and information flows).

Because so many independent entities were involved, directly or indirectly, in the cadastral process, the GOES, following the recommendation of USAID advisors in 1974, established a National Cadastral Commission to coordinate the process.

The following Conditions Expected attempt to measure, explicitly or implicitly, the performance of some of the above entities in carrying out functions deemed necessary and sufficient to achieve the project purpose. Related evaluative statements comment both upon progress to date and, where appropriate, the adequacy of the EOPS themselves as measures of purpose achievement.

EOPS #1

Initial Cadastral Survey completed in at least three fourths of the geographic area of the country

Of approximately 500,000 parcels of land in the whole country about 200,000, or 40%, have been appraised to date. Of the 86,200 parcels programmed for appraisal in 1977, 40,319, or 47% were completed by the end of May 1977. (See Map and 1977 Program of Operations, Figure 2 and Table III respectively).

"Parcels appraised" is a more appropriate measure of the performance of the Fiscal Cadaster Department than "geographic area surveyed" since the parcel (predio) is the basic work unit of the appraisal operation and since the size of this work unit and thus the amount of work required varies significantly from one part of the country to another.

The quantity of parcels appraised is however only a partial measure of capability. Some judgement as to the timeliness and quality of the appraisals, which relates to the utility of the appraisal for tax administration purposes, would be more relevant.

The measurement of progress against this indicator is further complicated by the fact that the cadastral survey or actual field appraisal of property can only be undertaken by the Fiscal Cadastral Department when maps and indices have been provided to it by the IGN.

According to the 1977 Annual Operational Plan IGN is supposed to accomplish (1) physical mapping of 100% of the rural parcels in El Salvador (excepting the Honduran border area); (2) physical mapping of 85% of urban parcels (excepting San Salvador metropolitan area); and (3) edit indices and input cadastral information into the Data Bank for 190,132 rural parcels constituting 70% of the rural area of the country in 10 Departments and 99,552 urban parcels constituting 64% of the urban area of the country in 9 Departments.

IGN performance against this plan has been poor. As of the end of May only partial information was received by the Fiscal Cadaster Department from IGN on 51,000 rural parcels and 23,000 urban parcels or 27% and 23% of the respective annual targets. (See Table II)

FIGURE 1
NATIONAL CADASTER SYSTEM
INFORMATION FLOWS

1 Registers and updates land title information.
Provides to IGN.

2 Collate registry information with field data,
and feed to computer.

3 Prepares maps and provides them to Fiscal
Cadaster.

4 Provides Printouts containing cadastral and
ownership information to Fiscal Cadaster.

5 Maps and other cadastral information used to
identify and value individual properties.

6 Appraisal values stored in computer (File B,
CAT FIS) (Not presently complete)

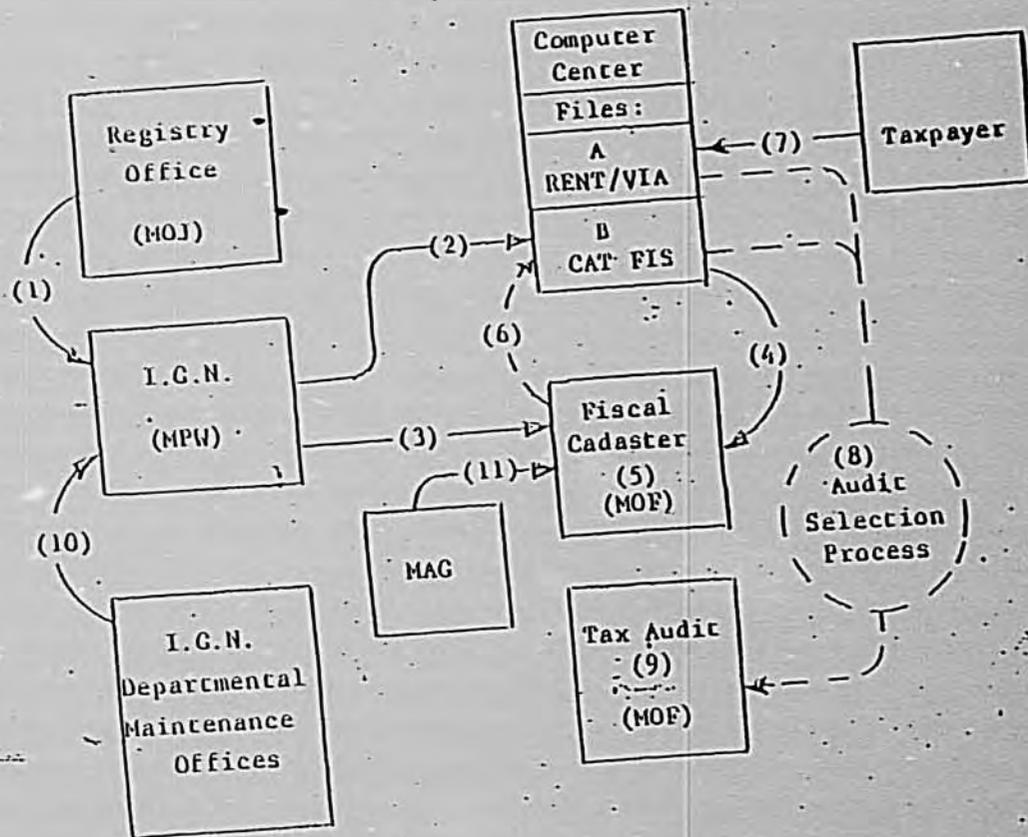
7 Tax payer declarations thru MOF to computer
(File C, RENT/VIA)

8 Declared property values (File A) compared
with appraised values (File B). Ranked
discrepancy lists will be provided to
audit Section for audit. (Under develop-
ment)

9 Audit conducted.

10 Administrative Maintenance Offices update
any variation that effects value.

Provide soil maps for land valuation.



N.B. Dotted lines indicate systems/processes not yet completed.

TABLE II

PROGRAMA Y AVANCE MENSUAL DE OPERACIONES 1977

RECIBO DE MATERIAL			PROGRAMADOS												RECIBIDO		
			* 1976						(P) 1977						(/)	(X)	
			1	2	3	4	5	6	7	8	9	10	11	12	PARCIAL	COMPLETO	
USCATLAN	MAPAS	RURAL	*	(/)													
		URB.	(P)					(/)									
26,000 RURAL	INDICES	RURAL	* (/)														
8,000 URBANO		URB.						(P)									
HALATENANGO	MAPAS	RURAL	*			(/)											
		URB.					(P)										
9,000 RURAL	INDICES	RURAL	* (/)														
5,000 URBANO		URB.									(P)						
AN VICENTE	MAPAS	RURAL					(P)										
		URB.								(P)							
16,000 RURAL	INDICES	RURAL						(P)									
URBANO		URB.									(P)				(P)		
A PAZ	MAPAS	RURAL	NO PROGRAMADOS														
		URB.	*	(/)													
10,000 RURAL	INDICES	RURAL	(/)	NO PROGRAMADOS												(/)	
		URB.	*		(/)												
ABAÑAS	MAPAS	RURAL					(/)									(P)	
		URB.									(P)					(P)	
RURAL	INDICES	RURAL															
		URB.															
URBANO		NO PROGRAMADOS															

TABLE III
PARCELS APPRAISED 1
1977

JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	
7400	7000	8200	5800	7800	7800	7400	6400	7800	7400	7400	5800	86200
8224	7824	9024	6624	8623								40319

A Parcels Appraised (Planned, 1977)

B Parcels Appraised (Actual)

1/ Use and value information turned over to data bank.

EOPS #2

Maintenance offices established and functioning in completed areas.

There are two separate valuation maintenance processes, (1) technical maintenance, a function of the Fiscal Cadaster Department, and (2) administrative maintenance, a function of the IGN Departmental Maintenance Offices. The former involves updating cost procedures and unit values, while the latter consists of updating property ownership information. Changes in ownership are recorded by the Real Property and Mortgage Registry of the Ministry of Justice which in turn reports these changes to the Departmental Maintenance offices of the IGN where field verifications are undertaken.

According to IGN, Maintenance Offices have been established and are operational in each of the 14 Departments of the country. Cadastral information has already been incorporated into the Data Bank from Ahuachapán, Sonsonate, Santa Ana, La Libertad, La Paz and San Salvador which covers Cuscatlán and Chalatenango.

The manual processing of reports from the Real Property and Mortgage Registry is up to date but the electronic maintenance of cadastral files of the Data Bank has suffered delays of approximately 9 months due to a change of computers which implied substantial modifications in the editing of computer programs. The updating of cadastral files is expected by September, 1977.

Another problem, which affects maintenance but which is outside the management control of this project, concerns the Cadastral Law. Since inscription of property is not now mandatory, all changes in ownership cannot be controlled. The Cadastral Law has been amended to provide for a procedure whereby all changes in property ownership would be reported, but as already mentioned, amendments have not yet been enacted.

EOPS #3

Ministry of Finance Data Bank functioning

In order to fulfill the tax revenue improvement objective of this project it is necessary to clarify the status of every property and of every owner with respect to the net worth tax information that is compiled from yearly declarations. Thus, it is necessary to systematically compare the cadastral-valuation data with the latest tax declaration information and with a growing list of property owners who are non-tax payers. A systematic collation of the cadastral valuation data with declaration information will (a) permit incorporation of changes in values of a declared property, (b)

identify discrepancies between assessed and declared values, in which case the GOES can make the necessary adjustments, (c) identify a taxpayer who owns a property that was not declared, and (d) identify a taxpayer who owns more than one property.

The design and maintenance of this type of an information system requires a relatively sophisticated automatic data processing (ADP) capability. It requires the ability to analyze complex computer systems and to write and update programs. This capability does not exist at present nor was the development of this capability provided for in this project.

As indicated in the illustration of the cadaster process (Figure 1) neither the input of initial valuation data (step #6) nor the audit selection process (step #8), which is dependent upon the former, have been accomplished to date. The failure is primarily in the area of computer systems development and programming.

With respect to step #8, programs have been written by an AID contractor which accomplish the comparison of declared and appraised values described above and will provide information useful for audit selection purposes once the appropriate data has been incorporated into the data base.

EOPS #4

Authorized number of staff (412) working and/or being trained in the Fiscal Cadaster Department

The size of the staff of the Fiscal Cadaster Department, which at present numbers 300, is only a surrogate measure of the effectiveness of that organization in performing its functions of appraising property and assigning values. Table III shows that actual performance has consistently exceeded planned workload. As has been noted elsewhere, however, the overall performance of the National Cadaster is dependent upon the output of other organizations such as IGN and the Computer Center which have not performed well.

A more appropriate indicator of the efficiency of the Fiscal Cadaster Department is cost per valuation. It is worth noting, that even though the personnel have been increased from 143 at the beginning of 1975 to 300 at present, that salaries for all personnel have been increased 35% or more, and that the costs of most material and equipment have been affected by inflation, the cost per valuation during the present year is  27.80 (\$11.12) as compared to  62.50 - (\$25.00) during the previous year.

The Fiscal Cadaster Department has been reorganized and is presently utilizing a mass valuation system focussed on taxation. This assembly line system establishes a chain of production in which each link represents a function in the valuation process which is tied to the previous one, requiring review of the previous step, thus creating an automatic quality control system. The system produces one valuation for each "cadastered" property representing a conservative appraisal of its value arrived at through well defined stages. The system is presently operating efficiently and effectively.

The conclusion which might be drawn from the statistics concerning staffing is that the organization is understaffed. However, even though the Fiscal Cadaster Department is operating at 112 people below their authorized ceiling, it is performing as planned and constitutes the strongest link in the National Cadaster operation.

EOPS #4 should be restated to focus upon operational effectiveness rather than number of staff, or eliminated, since EOPS #2 (revised) is an adequate measure of the performance of Fiscal Cadaster Department.

EOPS #5

Net Worth Taxes for 1977 collected or in process of appeal in completed areas.

It is presumed that the above EOPS means taxes collected "on the basis of new values established by the Fiscal Cadaster" because as it is now stated it does not reflect the effect of the project. Net worth taxes collected in 1977 are of course not yet known since collections are based on voluntary declarations submitted over a three month period ending in May.

It should be clear from comments in Section 17 that the impact of this project upon net worth tax collections cannot be measured at this time since the system for utilizing the growing volume of property values being generated by the Fiscal Cadaster Department is still not functioning in support of the tax audit/collection functions of the tax administration system.

A revision of this EOPS is recommended. More appropriate indicators for measuring project impact are suggested in Section 20.

(4) The process for maintaining data current in completed areas is very slow due to lack of information from IGN.

There are two separate valuation maintenance processes:

(a) Technical Maintenance, a function of the Fiscal Cadaster Department and (b) Administrative Maintenance, a function of IGN. The former involves updating cost procedures and unit values and is being carried out in a timely manner. The latter, which involves updating property ownership information is slow because of delays in feedback of information by entities that supply IGN and because of the inability of IGN to process and feed valuation information through the Computer to the Fiscal Cadaster for carrying out the valuation process. Passage of amendments to the Cadastral Law will help to speed up the maintenance process.

(5) Some steps have been taken to systematize the use of cadastral data by the tax office (audit section), however, the system is still not functioning effectively.

The Audit Section presently makes random selection of taxpayers and requests valuation information from the Fiscal Cadaster Department, requiring them to undertake individual valuations on a case by case basis which is a highly inefficient use of cadastral staff. Furthermore, under this random selection process a number of audits result in only slight and sometimes no additional tax collections. Audits requiring appraisals which do not result in a major increase in tax are a waste of both audit and appraisal staffs.

A USAID financed programmer has just finished writing and testing a series of programs for an audit selection operation which was conceived by the advisory staff. This series of programs will arrange the master file of appraised properties in proper sequence and then compare them to tax declarations. The initial print out of this computer operation will be the total number of declarations falling within certain strata of differences between the declared property values and the appraised property values. From this listing the audit section will select the number of cases which their staff can process and will be assured that significant additional taxes will be derived from their efforts.

Although the programs now exist they cannot be used because information generated by the Fiscal Cadaster Department has not yet been put into the data base. This is a major constraint to accomplishment of the project purpose. Pressure on the Computer Center has already influenced them to assign additional time to the development of cadastral files. However, due to lack of experience and poor morale of computer personnel, it is the judgement of the advisory staff that at the present rate of progress it will take about

two years to develop efficient programs and relatively effort free current records essential to the cadastral operation and better tax administration.

In order to better identify the various systems which need to be developed to utilize cadastral-valuation data more effectively for tax administration purposes, this output will be divided into three distinct outputs as described in Section 20.

B. Inputs

General Cadastral Advisor

An issue which arose during the course of this evaluation was the resignation of the General Cadastral Advisor on June 15, 1977. As indicated elsewhere in this evaluation one shortcoming of this project was lack of coordination among the various entities involved. The coordination function was, of course, the joint responsibility of the General Cadaster Advisor and his counterpart, the GOES Coordinator assigned by the National Cadaster Commission. This evaluation does not presume to objectively judge the reasons for the failure of this counterpart relationship, however, the lack of full fluency in the Spanish language on the part of the General Cadaster Advisor may have been a contributing factor.

It is the judgement of the evaluator that the coordination function can be adequately carried out by the Valuation Advisor who is fluent in Spanish and who has maintained a good working relationship with all key GOES personnel involved in the project. The valuation Advisor has undertaken and continues to undertake activities which require coordination among the various offices involved in the National Cadaster project.

2. Westrick and Associates (AID-519-133)

A contract for \$32,113 was negotiated with Westrick and Associates to design and assist the Government of El Salvador (GOES) to implement, through its agencies represented on the National Cadastral Commission, a functional data system which would permit the efficient and effective use of cadastral data to increase revenue from the national net worth tax.

The job was to be accomplished in three phases: (1) a detailed analysis of the existing system, (2) design and implementation of a revised system and (3) a monitoring phase to assure that the system functioned effectively.

The systems analyst provided by the contract did not do an in-depth analysis of the computer operation as it actually functioned nor did he provide any new systems design material for programming.

As a result the programmer provided later was unable to do his job. When this became known the General Cadaster Advisor refused to approve any more of Westrick's expenses until he demonstrated that he would be able to produce some positive results concerning the cadastral operation. The contractor finally did write and test a series of programs which would facilitate a net worth tax audit selection procedure. However, the programs are still not useable because value data has still not been input into the data base, since no program exists yet to do it.

Failure of the contractor to accomplish the tasks called for in the contract scope of work can be partly assigned to inappropriate timing in that a new computer was being installed at the time the analyst was trying to describe the existing system. This obviously complicated his task. Nevertheless the results called for in the contract were not achieved, and additional assistance will be needed in this area.

A financial review of contract AID-519-133 was undertaken by USAID Controller, November 24, 1976. A final evaluation of contractor performance will be undertaken in September 1977.

20. Changes in Design and Execution

A. Program Goal

Measures of goal achievement should be reviewed to determine whether existing information will permit projection of project impact upon vialidades tax revenues and whether it is economically and technically feasible to develop a system for making such projections. Projections could be made for those Departamentos in which the initial survey has been completed; comparisons made between appraised values and declarations; and adjustments made for historical discrepancies characteristic of the Net Worth Tax. Such an automated system would be useful both for tax collection reporting and for the generation of tax administration and planning information.

B. Project Purpose

In order to more effectively communicate to each entity participating in the National Cadaster project the specific nature of their responsibility, and thus to facilitate achievement of the project purpose, the following changes are recommended in both the Conditions Expected and the Outputs.

EOPS # 1 is eliminated and replaced by EOPS #1 and #2 stated as follows:

EOPS #1

A coordinated and timely flow of essential complete cadastral data (maps and indices) from IGN to the Fiscal Cadaster Department to permit timely implementation of initial national cadaster survey.

EOPS #2

A mass appraisal process being efficiently and effectively carried out by the Fiscal Cadaster Department providing current, accurate property use and value information to the Computer Center in a timely manner and in a form which can be readily input into the data bank.

Operational efficiency and effectiveness will be measured by cost per valuations and parcels valued as indicated in Table III.

EOPS #2 will become EOPS #5 stated as follows:

Cadastral information maintenance being carried out in a timely manner.

(a) Administrative maintenance offices established in all 14 Departamentos by IGN providing updated property status information to the Fiscal Cadaster on a timely basis; i.e., within _____ of the initial receipt of the record of change.

(b) Technical Maintenance offices established by the Fiscal Cadaster Department in all completed cadastral areas conducting revaluation of all properties on which changes have been recorded. Effect of change on property value appraised and revised values input into data base at least _____ after receipt of IGN change information.

EOPS #3

Ministry of Finance Data Bank functioning effectively as indicated by timely provision of complete and accurate data in formats specified by the end user.

EOPS #4

This EOPS should be eliminated since, as stated in Section 18, it is a somewhat misleading surrogate measure of the effectiveness of the Fiscal Cadaster Department which is measured more directly by EOPS #2 (revised)

EOPS #5

Will become EOPS #4 stated as follows:

Value of additional networth taxes collectable and actually collected increasing.

	<u>1976</u>	<u>1977</u>	<u>1978</u>
(1) Value of assessments (billings due on underdeclarations) based on audits using appraised values:			
(2) Value of assessments actually collected:			
(3) Value of cases under appeal:			

C. Outputs

Output #1

"A coordinated flow of data" is a very broad, general indicator of a condition which would be expected to exist when the General Cadaster Advisor and his counterpart the Coordinator are functioning effectively. It is not an output.

Outputs #2 through 4 are adequate as stated in the original design, but will be renumbered 1 through 3.

Output #5 is too general and includes several "hidden" functions which have not been adequately addressed by this project. These functions include: (1) the use of cadastral-valuation data by the audit section, which implies the development of a system to facilitate its effective use, (2) the use of cadastral-valuation-audit information for billing and collecting net worth taxes which implies development of a system for billing and collecting, and (3) the use of collection data for revenue reporting and tax administration planning, which implies development of an automated information and reporting system.

These three functions are implicit in Output #5 as it is presently stated. It is therefore recommended that Output #5 be separated into three discrete outputs numbered 4, 5 and 6 stated as follows:

Output #4

A system for more efficient audit selection designed and functioning.

Output #5

A system for assessing and collecting net worth taxes designed and functioning.

Output # 6

An automated tax revenue reporting and information system designed and functioning.

An additional output or series of outputs associated with the Westrick contract were overlooked in the original design or stated in such a way as to obscure them thus precluding measurement.

These outputs are:

Output #7

A detailed analysis of existing computer systems used in the administration of the net worth tax conducted and specifications for an improved system designed.

Output #8

Programs for all new systems written, tested and functioning efficiently and effectively.

Such programs should include but not necessarily be limited to the following:

a) Programs for input, maintenance and retrieving current, complete and accurate data necessary and sufficient to carry out all functions of the national cadaster system in a timely manner;

b) Programs to implement a tax audit selection procedure, including a systematic collation of cadastral-valuation data with the latest tax declarations which will produce changes in values of a declared property, identify an assessed value that is greater than the declared value, and identify a taxpayer who owns an undeclared property or more than one property.

c) Programs for processing cadastral-valuation data for audit, claims and special investigations, and

d) Programs for storing and retrieving tax collection information and for producing periodic reports for tax administration purposes.

ANNEX A

Historical Background

In 1970, the Government of El Salvador (GOES), acting through the National Planning and Economic Coordination Council (CONAPLAN), submitted a proposal to USAID/El Salvador for a \$3.0 million loan to finance part of a \$6.5 million Fiscal Cadaster and Tax Improvement Program. Findings of the Intensive Review, which resulted in a withdrawal of the loan proposal, indicated that the proposal had underestimated the complexities involved in trying to introduce a fiscal cadaster, based on land parcels, into a complex, in personam, net worth tax system (Impuesto de Vialidad). The review pointed out that there were legal and administrative actions required for the effective use of the appraised property values resulting from a fiscal cadaster, even though a valuation activity had been in progress since 1966; that the necessary coordination and cooperation among the various entities involved in the program was lacking for the planning and execution of the program; that the legal basis was insufficient for an effective maintenance of the cadaster, and the property tax base systems which were dependent upon it; and finally, that there was insufficient information to determine whether the proposed fiscal cadaster would produce realistic results when applied to an "in personam" net worth tax system.

As a result of this review it was recommended that the Government of El Salvador (GOES) consider undertaking a scaled-down version of the original proposed program to demonstrate the organizational, operational, technical and legal feasibility of a countrywide program.

The GOES nevertheless decided to move ahead with a full scale program and in 1971 increased the budget for the program, providing for new positions, equipment and supplies, and expanded field activities.

By the end of CY 1974 valuation of approximately 55,000 properties had been completed in the departments of Ahuachapán, Sonsonate and Santa Ana, with some 81,000 additional properties at various stages in the valuation process. Tax receipts from property owners in the departments which were completed or in process rose, even though the cadastral values were not yet being systematically applied to collect taxes.

A number of actions were taken by the GOES to accelerate the cadaster and increase its effectiveness. Several were undertaken as a direct result of recommendations made by TDY advisors in 1974.

These actions included: (1) establishment of a National Cadastral Commission composed of the Ministers of Finance, Justice, Public Works, and Agriculture with the head of the National Planning Council (CONAPLAN) as Executive Secretary; (2) formation of a working committee subordinate to the Commission; (3) a budget of \$2,074,000 was established for FY 1975 which included provision for 250 additional employees in the Fiscal Cadaster Department of the Ministry of Hacienda, bringing the total number of authorized positions to 412; (4) the Ministry of Justice started indexing property owners in the nine existing departmental registry offices, and offices were established in the five remaining departments; (5) a coordinated program was begun in the three departments nearing completion for maintaining data current; and (6) mapping and identification of ownership in most of the country was completed by the Geographic Institute.

In 1974 the loan request was again revived, and USAID responded by calling in TDY technicians to examine the program again and make recommendations. Their report pointed out a number of persistent internal problems in implementation of the program and recommended technical assistance in specific areas.

The higher priority assigned the Cadaster Program by the GOES and the heavy investment made in it supported the view that the recommended technical assistance could be effectively utilized. Thus USAID developed the present National Cadaster Project (171) to finance technical assistance amounting to \$266,000 for a two year period FY 1976/77.

By February/March 1976 a PAS/IRS team including a General Cadaster Advisor (team leader), a Property Valuation Advisor, and a short-term, O&M advisor were on board and project implementation was begun. In April 1976, a contract was signed with Wes Wick and Associates to assist in developing a functional data system to permit the "efficient and effective use of cadastral data to increase revenue from the national net-worth tax".

ANNEX B

Description of the Net Worth Tax

El Salvador is the only Latin American country that does not have a real property or real estate tax system. There are, however, four tax systems in El Salvador that use real property and/or real estate values as part of the base for the levy of a tax. These are:

1. Impuesto de Vialidad Serie A - (Net Worth Tax)
2. Impuesto sobre Sucesiones - (Inheritance Tax)
3. Impuesto sobre Donaciones - (Gift Tax)
4. Impuesto de Alcabala - (Land Sale Tax)

The most important of these is the "Impuesto de Vialidad Serie A", which is an "in personam" tax on the total net worth of a person (or "Sociedad"), which is applied at progressive rates starting at a base of ¢25,000 (U.S.\$10,000).

The "vialidad" tax system is based on annual voluntary declarations based on a self assessment of net worth. Any person who considers that his total net worth is less than ¢25,000 does not have to file a declaration.

The "vialidad" tax has the greatest potential for generating additional tax revenues, provided that equitable and realistic property values can be applied by means of a "fiscal cadaster." This judgement is based primarily on the fact that self declared property values are, as a general rule, considerably lower than the true market value. For many years, the declared property values have been reviewed at random by auditors and adjusted upward when they are considered to be too low. However, even though certain guides and standards were used by the auditors, there was no way for determining whether the "adjusted" values were correct, or uniform in application. The fiscal cadaster and information systems developed by this project are supposed to resolve this and other constraints to improved tax administration in El Salvador.

ANNEX C

Pertinent Articles of the 1974 Cadaster Law, As Amended

TITLE V

LEGAL ASPECT

Art. 22 - The purpose of the legal aspect of the cadaster is to guarantee ~~the~~ the property or tenure of real property through an adequate organization of property registration deeds and mortgages.

Art. 23 - The Registry Office (Ministry of Finance) and the National Geographic Institute, as development of the Cadaster permits, will formulate the necessary indexes in accordance with cadastral records. These indexes will be maintained simultaneously with the alphabetical index of landowners.

Art. 24 - The cadastral file will serve as a base for the reorganization of the system for the registration of deeds and mortgages.

Art. 25 - Every registry office must require, before registration of any title which recognizes transfer or cancels the ownership of property located in a cadastral zone, the corresponding cadastral data, or if not on record, the corresponding information from the National Geographic Institute or Records Maintenance.

Said data will be filed with the Registry Office and in the same manner the rights of real property located in a cadastral zone will be registered in favor of heirs, beneficiaries and recipients of inheritances in case of death or of third persons, as result of a succession.

The data to which the preceding paragraphs refer, will be verified with the data in the corresponding property cadastral record on file in the Registry Office.

Art. 26 - Whenever a request to register a property is received by the Registry's Office by means of documents which do not coincide with documents previously registered, the Registrar will abstain from registering it until the differences are resolved, in that the National Geographic Institute may correct the cadastral record, or the party concerned in case of conflict may present a certificate of an executed judicial resolution.

Art. 27 - If a document cannot be registered because it does not agree with previous records, it may be rectified by the notary or official who authorized it making reference in the amendment of the data contained in the previously registered Cadastral Record.

Art. 43 - For cadastral purposes, the Departmental Maintenance Office will notify owners of properties in cadastral zones of measurements or valuations carried out of said properties, as well as the records in the Registry's Office, if these exist, which confirm the title.

Those parties who do not agree with the measurements, registration, or the value ascribed to a property, may appeal in writing to the corresponding Maintenance Office indicating the reasons for their appeal, within sixteen days from the date of the written notification. The notification document will be sent by certified mail, through the municipality or the District Commissioner and its delivery shall be verified in the manner prescribed in the second paragraph of Art. 15.

Once the written appeal is received, it will be submitted with a report, within three days, to the National Geographic Institute if related to measurements, to the Registrar's Office if related to registrations, or to the Directorate General of Direct Taxes if related to valuations. These offices will resolve the appeal taking into consideration the basic reasons of the appellant's disagreement; the reports requested by him, and other available documents.

Art. 44 - Once the period of time allowed for appeal is elapsed, and the interested party has not filed, or once the resolution stated in the last paragraph of the previous article has been pronounced, the final cadastral file will be issued.

TITLE IV

FISCAL ASPECT

Art. 20 - The Directorate General of Direct Taxes will order the valuation of each real property located in cadastral zones, and these valuations will be carried out following the systems and procedures determined by the Fiscal Cadaster Department of said Directorate.

Art. 21 - Once the valuation of a property has been carried out by the Directorate General of Direct Taxes, said office will submit the necessary information to the Computer Center or to the Data Processing Center of the Finance Ministry in order to register said information in the Directorate General copy of the Cadastral File and send a corresponding copy to the owner or holder of the property. This valuation will be incorporated by the Directorate General in the appropriate fiscal statements.

Project Title & Number: NATIONAL CADASTER 519-11-790-171

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>Increase Tax Revenues</p>	<p>Measures of Goal Achievement:</p> <ol style="list-style-type: none"> 1) Total revenue from net worth tax (of which real property now constitutes the basis for approximately 67%) increased from \$8 million in 1974 to \$12 million in 1977 and \$15.5 million in 1979. 2) Similar percentage increases in revenue from sales, gift and inheritance taxes by 1979.
<p>Project Purpose:</p> <p>To establish a National Cadaster system.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <ol style="list-style-type: none"> 1) Initial cadastral survey completed - in at least three-fourths of geographic area of the country. 2) Maintenance offices established & functioning in completed areas. 3) Ministry of Finance data bank functioning. 4) Authorized number of staff (412) working and/or training in Fiscal Cadaster Department. 5) Net worth taxes for 1977 collected
<p>Outputs:</p> <ol style="list-style-type: none"> 1) Coordinated flow of data between GOES entities involved. 2) Continuous valuation training program established in Ministry of Finance. 3) Updated valuation manual and procedures. 4) Improved system for maintaining cadastral data current in completed areas. 5) Use of cadastral data by tax office systematized. 	<p>Magnitude of Outputs: ⁷ or in process of appeal in completed areas.</p> <ol style="list-style-type: none"> 1) Maximum backlog of 2 weeks' workload at any step in process. 2) Basic course given all valuation personnel and advanced and refreshed courses held on scheduled basis. 3) Valuation manual and procedures completed and published. 4) Checks show data reasonably completed and current; few discrepancies between tax declarations and Tax Office records. (Cont'd on next page)
<p>Inputs:</p>	<p>Implementation Target (Type and Quantity)</p>

HEADLINE

CONCLUSIONS

- 1) Ministry of Finance monthly computer reports.
- 2) Other GOES official publications.
- 3) International Organizations such as IMF.

- 1) Project progress reports.
- 2) On-site verification.
- 3) Ministry of Finance monthly reports.
- 4) GOES records.
- 5) Project evaluations by secondary data and aviation program manager.

- 1) On-site inspections and reports.
- 2) GOES training plans and progress reports.
- 3) Official GOES publications.
- 4) Inspections/project evaluations.
- 5) Official records.

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3) Technical advisors on board no later than early October, and short term advisors available on timely basis.

Assumptions for providing inputs: