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USAID DOMESTIC RESOURCE MOBILIZATION PROJECT

Semi-Annual Performance Progress Report
October 2017 – March 2018

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USAID DOMESTIC RESOURCE MOBILIZATION PROJECT

SEMI-ANNUAL PERFORMANCE PROGRESS REPORT OCTOBER 2017 – MARCH 2018

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TABLE OF CONTENTS

ACRONYMS.....	1
EXECUTIVE SUMMARY	3
INTRODUCTION	6
COMPONENT 1: BUDGET PLANNING AND PREPARATION IMPROVED.....	7
COMPONENT 2: BUDGET EXECUTION IMPROVED.....	11
COMPONENT 3: TAX POLICY AND ADMINISTRATION IMPROVED	18
COMPONENT 4: TRANSPARENCY AND PUBLIC-PRIVATE DIALOGUE ON FISCAL POLICY STRENGTHENED.....	27
CROSS-CUTTING ACTIVITIES.....	29
CASE STUDY/ SUCCESS STORY.....	32
DOMESTIC RESOURCE MOBILIZATION PROJECT - PROGRESS TOWARDS EXPECTED RESULTS	34
FINANCIAL INFORMATION (AS OF MARCH 31ST, 2018).....	39
ANNEX I. PERFORMANCE INDICATORS TRACKING TABLE (PITT)	40

ACRONYMS

AFI	Public Financial Administration Law
ANEP	National Association of Private Corporations
COMPRASAL	E-Procurement System
CONAMYPE	National Commission for Micro and Small Enterprises
CONEVAL	Mexican National Council for the Evaluation of Social Development Policy
CSMS	Case Selection Management System
DAI	DAI Global, LLC
DFDT	Training and Capacity Building Department
DGA	General Directorate for Customs
DGCG	General Directorate for Government Accounting
DGICP	General Directorate for Public Investment and Credit
DGII	General Directorate for Internal Revenue
DGP	General Directorate for Budget
DGT	General Directorate for Treasury
DPEF	Directorate of Economic and Fiscal Policy
DINAFI	National Directorate for Financial Administration
ENAFOP	National School of Public Training
EU	European Union
FPEMP	Fiscal Policy Expenditure Management Program
GDP	Gross Domestic Product
GOES	Government of El Salvador
IDB	Intern-American Development Bank
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
JSIIT	Integrated Tax Information System
LACAP	Salvadoran Public Procurement Law
MINED	Ministry of Education

MINSAL	Ministry of Health
MOF	Ministry of Finance
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Fiscal Framework
MTIF	Medium-Term Institutional Framework
N/A	Not Applicable
Na	Not Available
PAAC	Public Procurement Annual Programming
PESS	El Salvador Safe Plan
PFM	Public Fiscal Management
ROB	Result Oriented Budget
SAFI	Integrated Financial Management System
SAFIM	Municipal Integrated Financial System
SC	Superintendence of Competition
SITEP	Integrated Public Treasury System
STP	Secretariat to the Presidency
TSA	Treasury Single Account
TPAR	Tax Policy and Administration Reform
UNAC	National Procurement Office
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

The United States Agency for International Development (USAID) signed a contract with DAI Global, LLC on April 27, 2017 to continue improving public financial management practices, increase domestic revenue mobilization and generate additional revenue for the public sector in El Salvador.

The purpose of the Domestic Resource Mobilization Project 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, public administration, public expenditure and revenue management systems, and public-private dialogue between the government, the private sector, and the civil society. The main counterpart for these activities is the MOF.

The Project has four main components. These are:

1. Component 1: Budget Planning and Preparation Improved
2. Component 2: Budget Execution Improved
3. Component 3: Tax Policy and Administration Improved
4. Component 4: Transparency and Public-Private Dialogue on Fiscal Policy Strengthened

Highlights for the second semester of Project implementation, October 2017 to March 2018, are listed below:

Semester results/highlights

- Deliver training on MTEF, MTIF and Classification of Financial Transactions to MOF personnel
- Deliver training on MTIF to GOES institutions
- Expenditure quality assessment for the health sector reviewed and adjusted
- Roadmap for the 10-month intervention of ROB implementation in MINSAL developed
- Development of a magazine on public budget reform process in collaboration with the MOF
- DGT administrative and functional reform proposal drafted
- DGCG administrative and functional reform implementation plan drafted
- IPSAS training to national hospitals delivered
- IPSAS Training to GOES decentralized institutions delivered
- IPSAS Training on superior financial instruments to MOF directorates involved in SAFI II development and decentralized GOES Institutions delivered
- Development of a conceptual model for the Public Investment System
- Study Tour to Mexico to learn about their experience on Budget Monitoring & Evaluation
- Development of e-learning module PAAC Execution for COMPRASAL II training

- Study Tour to Uruguay to learn about their experience on Public Procurement
- Overview of COMPRASAL II for Court of Accounts
- Study tour to Argentina about simplified tax system implementation
- Review and adjustment of the administrative tax arrears collections bill
- Fiscal Amnesty Law went into effect
- Draft of a Customs Fraud and Crime Enforcement Rule
- Development of an assessment of customs audit operation
- Development of an assessment of the DGT tax arrears collection customer service
- Development of the DGA Administrative and Functional Reform proposal
- E-learning workshop for MOF Directorates
- Signing of contract with TechChange
- Coordination of activities with other USAID Projects
- Agreement of a Cooperation Program with ENAFOP for GOES trainings

Other Activities in progress

- Support the draft of a DGP administrative and functional reform proposal
- Support the implementation of Results-Oriented Budget in MINSAL
- Review and adjustment of the expenditure quality assessment for the education sector
- Development of e-learning modules for Medium-Term Frameworks and Results-Oriented Budget Implementation
- Development of a DGT administrative and functional reform implementation plan
- Study Tour to Argentina on Cash Flow Projection Tools
- Review and draft of a new AFI Law reform proposal
- Development of the SAFI II Government Accounting Subsystem
- Development of the SAFI II Treasury Subsystem
- Integration of the COMPRASAL II, SAFI II Budget, Accounting and Treasury Subsystems
- Training on Use Cases development for the DGICP
- Implementation of COMPRASAL II PAAC Formulation, PAAC Execution and Libre Gestion modules across public institutions
- Implementation of COMPRASAL II PAAC Formulation, PAAC Execution and Libre Gestion modules across public sector providers
- Development of COMPRASAL II Contract Management Module
- Development of e-learning module *Libre Gestión* for COMPRASAL II trainings
- Coordination of activities for the strengthening of the Court of Accounts
- Support the approval of the Simplified Tax System proposal
- Training on use cases development for the DGT, DGII and DGA
- Strengthening of the DGT Tax Arrears Collections Direction capacity to collect tax arrears
- CSMS II Tax Arrears Collections Module use cases development

- Support the review and development of a new conceptual model for the tax control process
- Support the development of the economic, fiscal and institutional presence maps
- Assessment of DGII training needs for the implementation of the new tax control system and tax arrears system implementation
- Integrated Current Account Module within CSMS II
- Support the development of the use cases for the new SITEP
- Support the implementation of the e-filing system
- Assessment of the DGII Audit Unit
- Draft of a Custom Code Proposal
- Development of a Customs Service Call Center and Customs Service Site
- Assessment of DGA training needs
- Proposal to redesign the Public Procurement Ombudsman Portal
- Communication strategy with GOES, Legislative Assembly, Private and Civil Society groups to get buy-in for key reforms approval
- Development of a communication strategy with GOES, Private and Civil Society groups to get their feedback from fiscal reforms proposals and implementations
- Training on Public Procurement for Civil Society Institutions

INTRODUCTION

This report presents the activities carried out by the USAID Domestic Resource Mobilization Project in El Salvador, during its second semester of work. It covers the period from October 1, 2017 through March 31, 2018. The Project is for five years and concludes on April 26, 2022.

The previous USAID fiscal projects, the Tax Policy and Administration Reform (TPAR) Project and the Fiscal Policy and Expenditure Management Program (FPMP), successfully supported the Ministry of Finance (MOF) in the implementation of reforms that generated an accumulated increase in tax collection of 4% of Gross Domestic Product (GDP) between 2004-2016. Nevertheless, the gap between revenues and expenditures has remained high over the past decade, generating a situation of structural deficit that is currently challenging the fiscal sustainability of the country. The Domestic Resource Mobilization Project is now supporting the MOF in implementing the reforms on revenues and expenditures to solve the structural fiscal deficit and to implement the reforms needed to guarantee that the GOES fiscal and financial environment get to a safe harbor that provides fiscal sustainability, sound economic growth and a better life for all Salvadorians.

The second semester of Project implementation was of critical importance to build strong foundations of the project's activities, to maintain continuity of previous USAID technical support provided to the MOF, and to ensure future achievement and sustainability of the project's goals. The activities presented herein are the result of numerous meetings with different stakeholders and they are being performed in concert with the MOF.

COMPONENT I: BUDGET PLANNING AND PREPARATION IMPROVED

The Domestic Resource Mobilization Project supports the MOF in the implementation of Medium-Term Frameworks that will provide the Government with fiscal targets, data and instruments that must guide the budget ceiling, key budget programs and resource allocations. The frameworks will enforce a fiscal discipline that will help the GOES to achieve fiscal sustainability. Additionally, the Project supports the reform of the budget system. The new budget system will enforce the GOES institutions to develop budget programs with a full set of output, efficiency and economy indicators, helping GOES to improve public value creation and resource allocation and rationalization.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE SEMI-ANNUAL

- **Deliver training on MTEF, MTIF and Classification of Financial Transactions to MOF personnel** – The Project delivered training to 176 personnel from General Directorate for Budget (DGP), Directorate of Economic and Fiscal Policy (DPEF) and MOF Directorates related to Integrated Financial Management System (SAFI) II development. The trainings were on the Classification Manual for Financial Transactions of the Public Sector and Medium-Term Expenditure and Institutional Frameworks. The trainings contribute to the successful implementation of the medium-term frameworks and across GOES entities and enhances the capacity of MOF key staff to support and advance medium-term budget planning and formulation.
- **Deliver training on MTIF to GOES institutions** - During the semester, the Project delivered training to 1,975 personnel from 106 GOES institutions on the Classification Manual for Financial Transactions of the Public Sector and Medium-Term Institutional Framework (MTIF). The trainings contribute to the successful implementation of the MTIF across GOES entities and enhances the capacity of key staff to advance medium-term budget planning and formulation.
- **Expenditure quality assessment for the health sector reviewed and adjusted** - The Project finished reviewing and updating the expenditure quality assessment for the health sector developed by FPEMP. The assessment was presented first to the International Donors Round Table that supports the MOF. All Donors agreed that the study was of high interest and that it will be a useful tool to develop better fiscal policies. Afterwards, the assessment was presented to DGP authorities and Ministry of Health (MINSAL) authorities. The assessment identified the main sources of inefficiency in MINSAL's Budget Formulation and Execution and provided recommendations on how to address them. The current main problems of MINSAL are that they do not link their budget to their programs and objectives and they do not perform a proper monitoring and evaluation of their budget, which results in unproductive allocation of resources. Similarly, MINSAL's information systems are not

integrated and they are not being used as a source of information for the development of the budget. The Minister of Finance highlighted the quality of the assessment and the importance of implementing the recommendations made by the Project for MINSAL to improve the management of resources and have a more efficient budget allocation and service delivery.

- **Roadmap for the 10-month intervention of ROB implementation in MINSAL developed** - Following the assessment of the expenditure quality assessment for the health sector, the Project had meetings with technical staff from the Ministry of Health to coordinate the intervention that will be carried out to support the ROB implementation. Considering these meetings, a 10-month roadmap was developed. The roadmap addresses five components needed for the correct implementation of a Results-Oriented Budget in MINSAL, which are: 1) Budget Formulation; 2) Budgeting and Planning linkage; 3) Monitoring and Evaluation; 4) Health Information Systems; and 5) Costs. These components were designed considering the findings and recommendations of the expenditure quality assessment and international best practices.
- **Development of a magazine on public budget reform process in collaboration with the MOF** - As part of the Change Management Strategy in Component I, Project worked with MOF Communications Department to issue a magazine on different Public Financial Management subjects. The magazine is titled “Innovación Fiscal” and it contains articles written by MOF managers and Project’s technical staff about Result Oriented Budget and Medium-Term Frameworks. The magazine’s first issue was developed in both print and digital formats. Additionally, the Project and MOF Communications Department worked on a strategy to inform people about the magazine and created an announcement to be sent via email to all the ministries counterparts and MOF personnel; the magazine will be delivered electronically.

WORK IN PROGRESS

- **Elaborate an expenditure and revenues forecasting model for MTEF** – The Project held meetings with DPEF and others international donors to coordinate the intervention regarding the Public Expenditure Forecasting Model for MTEF. The new model will reinforce the medium-term frameworks through improved, quarterly macro-fiscal forecasts that more accurately project expenditures and revenues.
- **Review the methodology of MTEF and elaborate an assessment of MTEF implementation difficulties** – The Project and MOF are reviewing the methodology for MTEF to provide recommendations to reinforce the medium-term frameworks and their correct implementation.
- **Support the implementation of Results-Oriented Budget in MINSAL** - In coordination with the Inter-American Development Bank (IDB), the Project started supporting the implementation of a Results Oriented Budget in MINSAL, based on the findings of the expenditure quality assessment and following the roadmap developed by the Project

and MINSAL's technical staff. The Project has focused the strengthening and support in: (i) developing criteria for resource allocation; (ii) linking MINSAL's annual budget and annual plan; (iii) improving the input, output and outcome indicators; and (iv) identifying improvements opportunities for the quality, management and use of health statistics. Project also supported a workshop to strength the capacities of MINSAL's primary healthcare regional offices on resource allocation and budget formulation for results. In March, 19 people were trained; similar trainings will continue during the next semester with an expected total of 300 MINSAL staff trained.

- **Review and adjustment of the expenditure quality assessment for the education sector** - The Project continued reviewing the methodology, conclusions and recommendations of the expenditure quality assessment for the Education Sector that FPMP developed based on new data available, meetings with other donors that are supporting the Ministry of Education (MINED) and Project technical staff experience.
- **Development of e-learning modules for Medium-Term Frameworks and Results-Oriented Budget Implementation** - The Project held meetings with DGP to define a schedule for e-learning trainings for Medium-Term Frameworks and ROB implementation. To facilitate the development of the e-learning modules, the Project delivered a seminar on how to develop e-learning materials, the seminar was attended by staff from DGP who are developing a course for the e-learning modules. The Project expects the materials will be ready by next quarter; by then, the courses will be updated to an e-learning platform.

NEXT STEPS

- **Elaborate expenditure and revenue forecasting models for MTFF** – The Project and MOF will start developing the new models for MTFF forecast that will estimate more accurately future public expenditures and revenues.
- **Review the methodology of MTEF and elaborate an assessment of MTEF implementation difficulties** – The Project will conduct a series of meetings with the actors involved in the MTEF, review the methodology and elaborate a document with recommendations for its improvement, considering the best international practices.
- **Elaborate an assessment of MTIF implementation difficulties and provide recommendations for its improvement** – Once DPEF and DGP have respectively developed the MTFF and MTEF, GOES entities are responsible for the development of the MTIF based on the multi-year budget ceilings provided by DGP through the MTEF. The Project will develop an assessment to identify what are the key problems that GOES entities are facing for MTIF development and then provide recommendations and technical support to address them, including trainings.
- **Support the approval and implementation of the DGP organizational reform** – FPMP developed a proposal for the DGP new organizational structure that DGP have been reviewing and updating for the past few months. According to DGP, the new reform proposal

is finished. In the following months, the Project will support the approval and the implementation of this new DGP functional and administrative reform, which will strengthen this directorate for the execution of the public budget reform.

- **Support the implementation of Results-Oriented Budget in MINSAL** - The Project will continue supporting the implementation of a Results-Oriented Budget in MINSAL following the 10-month roadmap intervention developed by Project and MINSAL. In the next semester, the Project will be finishing the components of budget formulation, planning and budgeting linkage and health information systems. Project will also support MINSAL to train their staff in ROB implementation, 300 personnel are expected to be trained in the next semester, the trainings will enhance the capacity of key staff to advance on ROB formulation and implementation.
- **Presentation of the expenditure quality assessment for the education sector –** Once the expenditure quality assessment for the education sector is finished, the Project will present the main findings of the study to the International Donors Round Table, DGP authorities and the Ministry of Education authorities. The final draft is expected to be finished in April, then it will be presented to the international donors' round table, MINED and DGP.
- **Support the implementation of a Results-Oriented Budget in MINED –** The Project, in coordination with the IDB, will support an intervention that will strengthen MINED's capacities to formulate its budget and efficiently allocate its resources, by implementing a Results-Oriented Budget methodology. The implementation will be based on the findings of the expenditure quality assessment.
- **Deliver training on ROB to DPEF, DGP, STP and various Ministries –** Project will deliver training on ROB implementation to MOF Directorates, Technical and Planning Secretariat to the Presidency (STP) and to various Ministries to support the transition from the Budget Line System to the ROB system. The training program will include based budgeting and ROB methodologies in budget formulation.
- **Study Tour to Mexico on budget programs costing –** The Project will organize a study tour to the Mexican Secretariat of Finance and Public Credit where three DGP staff will learn about the Mexican experience in implementation of costing methodologies and IT systems for budget programs.
- **Development of e-learning modules for Medium-Term Frameworks and Results-Oriented Budget Implementation –** Project will continue providing support in the development of the e-learning program for Medium-Term Frameworks and ROB implementation, Project will work with subcontractor TechChange to tune up the e-learning program and will also continue converting existing classroom trainings to e-learning materials to be uploaded to the e-learning platform later in the year.

COMPONENT 2: BUDGET EXECUTION IMPROVED

The Domestic Resource Mobilization Project supports the MOF in improving cash management practices through the implementation of an advance Treasury Single Account (TSA) and a cash projection tool, modernizing government accounting through the adoption of the International Public-Sector Accounting Standards (IPSAS), developing a sound public procurement electronic system and enhancing its financial management information system. Additionally, the Project supports the GOES in the improvement of the oversight and accountability of its institutions.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE SEMI-ANNUAL

- **DGT administrative and functional reform proposal drafted** - The Project conducted an assessment of the current General Directorate for Treasury (DGT) organizational structure and made a reform proposal to prepare DGT to successfully implement the TSA, improved new cash management IT systems, new cash flow forecast tools and a Budget Commitment Installment System. The proposal was presented to the DGT Director and MOF Viceminister and is currently under their review.
- **DGCG administrative and functional reform implementation plan drafted** – The Project drafted an implementation plan for the General Directorate for Government Accounting (DGCG) reform proposal that was developed by the Project. The implementation plan is currently being reviewed by the DGCG Director. Once approved, the Project will support its execution.
- **IPSAS training to national hospitals delivered** - The Project finished the IPSAS training to the national hospitals and decentralized entities. The training was on accounting conceptual model and government accounting system model, property and cost module (IPSAS 11, 12, 16, 17, 21, 27, 31 and 31), presentation of financial statements, chart of accounts and income (IPSAS 1, 2, 3, 10, 14, 18, 22, 24, 33, 9 and 23), consolidation (IPSAS 20, 34, 35, 36, 37 and 38), related parties (IPSAS 5, 13, 19 and 26), provisions (IPSAS 29) and basic financial instruments (IPSAS 3, 9, 12, 16 y 26). Sixty-six (66) accounting staff from 30 national hospital were trained on these topics.
- **IPSAS Training to GOES decentralized institutions delivered** - The Project delivered training to GOES ministries on presentation of financial statements, chart of accounts and income (IPSAS 1, 2, 3, 10, 14, 18, 22, 24, 33, 9 and 23). Seventy (70) accounting staff from different GOES ministries were trained on these topics.
- **IPSAS Training on superior financial instruments to MOF directorates involved in SAFI II development and decentralized GOES Institutions delivered** - The Project delivered IPSAS training on superior financial instruments to MOF directorates involved in the SAFI II development and to some decentralized entities. Decentralized entities were chosen based on their involvement in the management of complex financial instruments.

Sixty-four (64) financial personnel from these institutions were trained on this topic during the reporting period.

- **Development of a Conceptual Model Proposal for the Public Investment System-** The Project developed a conceptual model proposal for the new Public Investment System that will help the GOES in the improvement of public investment projects formulation, execution and monitoring and evaluation, improving the processes and procedures of the GOES investment policy. The model is currently being discussed and reviewed with the General Directorate for Public Investment and Credit (DGICP) authorities. The model will serve as the foundation for the development of the Public Investment Subsystem within SAFI II. It is expected that the new investment system corrects all the problems, inconsistencies and delays found in the assessment of the public investment system developed by the Project.
- **Study tour to Mexico to learn about their experience on budget monitoring and evaluation –** The Project carried out a study tour to the Mexican National Council for the Evaluation of Social Development Policy (CONEVAL, in Spanish) for four DGP authorities where they learned about CONEVAL’s experience in the development of budget monitoring and evaluation methodologies and information systems for the proper implementation of Results Oriented Budgets.
- **Development of e-learning module PAAC Execution for COMPRASAL II trainings -** The e-learning module Public Procurement Annual Programming (PAAC) Execution for COMPRASAL II was successfully introduced in March. At the end of the month, 363 personnel from various institutions had taken the training. Initial feedback was extremely positive, the course was rated at about 9.5 on a 10-point scale by the first group trained. The module contains interactive and multimedia materials making use of the virtual platform of the MOF. The courses are aimed at managers and technical personnel of the Institutional Procurement Units, Institutional Financial Units and Requiring Units of public institutions. The module includes 3 lessons that allow technicians to know the legal and normative foundations of the Institutional Procurement Programming, PAAC’s Execution details, and clarifies any doubt about the use of the COMPRASAL II system.
- **Study Tour to Uruguay to learn about their experience on Public Procurement -** In November, the Project organized a study tour to the Uruguayan State’s Procurement and Contracting Agency to learn from their experience in implementing the vendors’ registration system and control, framework agreements and reverse auction. The study tour was attended by the National Procurement Office (UNAC) director and other three UNAC personnel, as well as by USAID officials. It is expected that the lessons learned in this study tour will help the MOF in the implementation of a sound vendors’ registration system as well as framework agreements and reverse auction, to boost GOES efficiency on public procurement.
- **Overview of COMPRASAL II for Court of Accounts -** The Project facilitated the delivery of a 4-hour overview of COMPRASAL II system for 40 auditors from the Court of Accounts. The presentation had a good reception among the participants and as a result the Court of Accounts requested additional in-depth training for their procurement personnel.

- **Development of a magazine on public expenditure reform process in collaboration with the MOF** - As part of the Change Management Strategy in Component 2, the Project worked with MOF Communications Department to issue a magazine on different Public Financial Management subjects. The magazine is titled “Innovación Fiscal” and it contains articles written by MOF managers and Project’s technical staff about: Accountability, Procurement System, Public Investment and Treasury. The magazine’s first issue was developed in both print and digital formats. Additionally, the Project and MOF Communications Department worked on a strategy to inform people about the magazine and created an announcement to be sent via email to all the ministries counterparts and MOF personnel; the magazine will be delivered electronically.

WORK IN PROGRESS

- **Development of DGT administrative and functional reform implementation plan**– The Project is working in an implementation plan for the DGT reform proposal that was developed by the Project. The implementation plan will be submitted to the DGT Director during the following months. Once approved, the Project will support its execution.
- **Study Tour to Argentina on Cash Flow Projection Tools** - The Project, in coordination with the Argentinian Ministry of Finance, is organizing a study tour for three DGT authorities where they will learn about the Argentinian General Treasury experience in the development of cash flows projections models. Based on this experience, the DGT and the Project will develop a conceptual model and use cases for a new cash flow projection tool that will help improve cash management practices in El Salvador.
- **Review and draft of a new AFI Law reform proposal** - The Project finished reviewing the AFI Law with the Vice-Minister of Finance, DGP, DGT, DGCG, DGICP, UNAC and DPEF Directors. It is expected that by end of April the final draft will be ready for presentation and discussions with the Minister of Finance.
- **Development of the SAFI II Government Accounting Subsystem** – The Project continued with the development of the SAFI II Accounting Subsystem but the necessary dependencies to interconnect this subsystem with other SAFI II subsystem (such as Public Debt, Public Investment, Payroll, COMPRASAL II and Treasury) are not yet available. The Project asked for these dependencies and the MOF send the Integration Use Cases during early January 2018. However, the Use Cases were reviewed and it was determined that it was necessary to hold clarifying workshops to adjust the functional characteristics in the Use Cases, these workshops were developed from the beginning of February to the end of March. Revised Use Cases are yet to be submitted to the Project, without these inputs SAFI II Subsystems can’t be connected. In addition, several meetings were held with DGCG to coordinate the SAFI II training that must be delivered in April 2018.
- **Development of the SAFI II Treasury Subsystem** - The functionality of the main modules of the Treasury Subsystem were tested, but it is necessary to invest more time to cover all the functionality developed so far. The Project also continued with the development

of the Treasury Subsystem but the necessary dependencies to interconnect this subsystem with others SAFI II subsystems are not available. The Project asked for these dependencies and the MOF send the Integration Use Cases during early January 2018. However, the Use Cases were reviewed and it was determined that it was necessary to hold clarifying workshops to adjust the functional characteristics in the Use Cases, these workshops were developed from the beginning of February to the end of March. Revised Use Cases are yet to be submitted to the Project. Without these inputs SAFI II Subsystems can't be connected. Additionally, the DGT submitted to the Project the Use Cases for the Current Fund Module that will be developed during the second phase of SAFI II development schedule.

- **Integration of the COMPRASAL II, SAFI II Budget, Accounting and Treasury Subsystems** - The necessary dependencies to interconnect SAFI II subsystems with COMPRASAL II are not available. The Project asked for these dependencies and the MOF send the Integration Use Cases during early January 2018. However, the Use Cases were reviewed and it was determined that it was necessary to hold clarifying workshops to adjust the functional characteristics in the Use Cases, these workshops were developed from the beginning of February to the end of March. Revised Use Cases are yet to be submitted to the Project. Without these inputs SAFI II Subsystems can't be connected.
- **Training on Use Cases development for the DGICP** – The Project continued providing training and technical support on Use Cases development to the DGICP. With this support, DGICP will be able to make better Use Cases for the development of the SAFI II Public Investment Subsystem, making easier the development of the software.
- **Implementation of COMPRASAL II PAAC Formulation, PAAC Execution and Libre Gestion modules across public institutions** – The Project continues with the classroom training to ensure all 3,500 procurement personnel from 27 public institutions receive the training in a timely manner. The classroom trainings are provided for institutions that may have connectivity problems. During the reporting period, the Project supported UNAC in delivering traditional trainings on COMPRASAL II PAAC and *Libre Gestion* modules to 39 GOES institutions, comprising 855 GOES personnel. The Project is additionally following up the implementation of COMPRASAL II by GOES Institutions already trained, either with traditional training or with e-learning. The task includes following up with UNAC all the actions towards the correct deployment of the system in all GOES institutions (meetings, phone calls, letters to institutions, etc.). The Project is also following the reform to the Cooperation Agreement between the Ministry of Finance and the Court of Accounts. This reform was suggested by the Project and will facilitate the implementation of COMPRASAL II since it is expected that the Court of Accounts audit and enforce the use of COMPRASAL II across all public institutions. Project also supported the coordination between UNAC's Legal Advisor and Court of Accounts President's Office Advisor to work the definition of the Cooperation Agreement between both institutions.
- **Implementation of COMPRASAL II PAAC Formulation, PAAC Execution and Libre Gestion modules across public sector providers** – The Project is coordinating a

communication campaign between the UNAC, the National Commission for Micro and Small Enterprises (CONAMYPE) and the Superintendence of Competition (SC) to increase the use of COMPRASAL II between the micro, small and medium businesses. The campaign will start on April.

- **Development of COMPRASAL II Contract Management Module** – UNAC began to elaborate the use cases for the COMPRASAL II Contract Management Module, the Project provided them with some guidance on how to develop them. The Project needs four use cases for the development of this module¹, to this date, UNAC is yet to submit these use cases.
- **Development of e-learning module *Libre Gestión* for COMPRASAL II trainings** – The Project is working in the development of the e-learning module *Libre Gestión* for COMPRASAL II trainings. This e-learning module will provide more COMPRASAL II trainings to public institutions at a lower cost. It is expected that the module will be released during mid-May 2018.
- **Coordination of activities for the strengthening of the Court of Accounts** – During the reporting period, the Project held meetings with the President of the Court of Accounts to define the specific areas of assistance in which the Project will support this institution. This coordination is important because there are other donors that are also supporting the Court of Accounts and duplication of efforts needs to be avoid.

NEXT STEPS

- **Support the DGT administrative and functional reform implementation** – Once the DGT Director approves the DGT organizational reform implementation plan, the Project will support its execution, including donation of IT equipment and furniture, training DGT staff on their new roles and helping with the management of change among DGT staff.
- **Development of an inventory of GOES bank accounts for TSA implementation** – Even though the DGT has centralized most of the GOES payment process, an important number of bank accounts remains open at GOES entities. The project will support the development of a bank accounts inventory to determine the unnecessary bank accounts at the GOES entities and will recommend a plan for their closing and integration to the TSA. The closing of some bank accounts will depend on the AFI Law reform approval.
- **Study Tour to Argentina on Cash Flow Projection Tools** – In April, three DGT authorities will participate in a Study Tour to learn about the Argentinean MOF experience in the development of cash flows projections models. Based on this experience, the DGT and the Project will develop a conceptual model and the use cases for a new cash flow projection tool that will improve cash management practices in El Salvador.

¹ The four use cases needed for this module are: i) Link US with UEP-UFI, ii) Generation of Certificate of Availability of Funds, iii) Load and Distribution of Signed and Public Document, and iv) Tracking of Purchase Orders or Contracts.

- **Support the approval of the AFI Law reform proposal** – In the next semester, the Project will finish the development of the final draft of the AFI Law reform proposal and then support its approval with the Minister of Finance, Presidential House and Legislative Assembly.
- **Support the DGCG administrative and functional reform implementation** – Once the DGCG Director approves the DGCG organizational reform implementation plan, the Project will support its execution, including donation of IT equipment and furniture, training DGCG staff on their new roles and helping with the management of change among DGCG staff.
- **Development of the SAFI II Government Accounting Subsystem** – In the followings months, the Project will review the Integration Use Cases that must be submitted by the MOF for this subsystem, then the Project will adjust the software development plan for this Subsystem and start the software development of these use cases. In addition, the Project will start with the training process for the SAFI II Government Accounting Subsystem delivering trainings on accounting matrices.
- **Development of the SAFI II Treasury Subsystem** - In the followings months, the Project will review the Integration Use Cases that must be submitted by the MOF for this subsystem, then the Project will adjust the software development plan for this Subsystem and continue with the software development.
- **Integration of the COMPRASAL II, SAFI II Budget, Accounting and Treasury Subsystems** - In the followings months, the Project will review the revised Integration Use Cases that must be submitted by the MOF, then the Project will adjust the software development plan for the SAFI II and will continue with its software development.
- **Training on Use Cases development for the DGICP** - The Project will finish delivering training and technical support on Use Cases development to the DGICP during the next semester. Once the use cases are developed, the Project will start with the software development of the SAFI II Public Investment Subsystem.
- **Implementation of COMPRASAL II PAAC Formulation, PAAC Execution and Libre Gestion modules across public institutions** – The Project will continue proving classroom trainings to all procurement personnel from all public institutions to ensure they receive the COMPRASAL II trainings in a timely manner. The classroom trainings will be provided to institutions that may have connectivity problems. The Project will also continue following up the implementation of COMPRASAL II by GOES Institutions already trained, either with traditional training or e-learning. The Project will also follow up the development of a new cooperation agreement between UNAC and the Court of Accounts regarding COMPRASAL II implementation. It is expected that the Court Accounts start to audit and enforce the use of COMPRASAL II for public procurement.
- **Implementation of COMPRASAL II PAAC Formulation, PAAC Execution and Libre Gestion modules across public sector providers** – In the following months, the Project will launch a coordinated communication campaign with UNAC, CONAMYPE and the SC to increase the use of COMPRASAL II between micro, small and medium businesses.

- **Development of COMPRASAL II Contract Management Module** – The Project will follow up the use cases design for this module. Once UNAC finish the use cases for this module, the Project will start the software development. The Project needs four use cases for the development of this module, to this date, UNAC is yet to submit these use cases.
- **Follow up the approval of the LACAP reform proposal** – In the following months, the Project will continue providing technical support to UNAC in the approval of the Salvadoran Public Procurement Law (LACAP) reform proposal that includes new procurement procedures. At the moment, the proposal continues being reviewed by the Viceminister of Finance. The Project will assist the MOF Viceminister to solve any queries and update the modifications that may arise from the revision, and then, after the new Legislative Assembly is established, Project will aid with the revision and approval of the bill.
- **Develop an assessment of the Court of Accounts Audit Practices** – The project agreed with the President of the Court of Account the course of action for the technical assistance. The first task that will take place in July is the assessment of the current financial audits module and the audit techniques and practices, the assessment will provide the inputs to design and recommend a new financial audit conceptual model and a new operational structure that will be implemented by the project during the following years.
- **Development of e-learning module *Libre Gestión* for COMPRASAL II trainings** – The Project is working in the development of the e-learning module *Libre Gestión* for COMPRASAL II trainings. This e-learning module will help to provide more COMPRASAL II trainings to public institutions at a lower cost. It is expected that the module will be released during mid-May 2018.

COMPONENT 3: TAX POLICY AND ADMINISTRATION IMPROVED

The Domestic Resource Mobilization Project supports the MOF in the broaden of the tax base and compliance effort, supports the improvements of the tax administration and enforcement and the strengthening of the operational capacity of the Customs Administration.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE SEMI-ANNUAL

- **Study tour to Argentina about simplified tax system implementation** – In October, the Project organized a study tour to the Argentinian Federal Revenue Administration for two General Directorate for Internal Revenue (DGII) authorities where they learned about the Argentinian experience in the implementation and administration of a simplified tax system that follows international best practices. This experience will help the MOF in the implementation of a simplified tax system for micro and small business. The proposed simplified tax system reform was submitted to the MOF and it is currently under the Viceminister of Revenue review.
- **Review and adjustment of the administrative tax arrears collections bill** – The Project continued supporting the review and adjustment of the tax arrears collection bill to guarantee full attachment of the bill to the Salvadoran Constitution, legal system and international best practice. A final draft was agreed and the MOF authorities will submit it to the Legislative Assembly once the new congress is established.
- **Fiscal Amnesty Law went into effect** – The Fiscal Amnesty Law went into effect on October 27th, 2017 for taxpayers in El Salvador. This law allowed taxpayers the opportunity to pay their delinquent taxes owed without penalties and/or interest. This amnesty was launched as an incentive to taxpayers for a period of 90 days and later extended until March 15, 2018 and once again in this date for 60 additional business days. During this period, the MOF also launched the electronic payment capability for collecting delinquent debts through their website. The Project suggested for Collections Directorate's Call Center to initiate massive calls to delinquent taxpayers to inform them of the tax relief and assist them to voluntarily pay, without doubts this produced a massive reaction from the taxpayers to take advantage of the opportunity. As a result of current and past USAID assistance to the DGT's Collections Directorate and the creation of the Call Center, there was a wider outreach and more taxpayers were able to take advantage of the amnesty law, which resulted in increased revenues. The Collections Directorate reported cash revenue collections of **\$ 71,412,744.83** and an additional **\$25,083,119.44** in installment payments as of March 20, 2018 because of the Law.
- **Draft of a Customs Fraud and Crime Enforcement Rule** – The Project finished drafting a Customs Fraud and Crime Enforcement Rule. A presentation of the reform

proposal was made to the Vice-minister of Revenue, which was received positively and it is being reviewed for approval. Defrauding and smuggling are very common in most of Central American countries, thus, GOES needs to improve its customs control mechanisms and strength customs law enforcement; this would help to have better control over customs trade, potentially avoiding smuggling and defrauding.

- **Development of an assessment of customs audit operation** – The Project developed an assessment of the Customs audit process to present a proposal for improvement. The Project developed a new model that identified a large share of importers and exporters with discrepancies in amounts of merchandise reported between El Salvador and other Central American countries. Risk Maps were constructed around this information and a presentation of the new maps, data mining cross-referencing system and case selection process was made to the Vice-Minister of Revenue and the Customs Director. Implementation of a system for the cross-referencing of information will be proposed to the General Directorate for Customs (DGA) Director as part of the implementation of the Administrative and Structural Reform.
- **Development of an assessment of the DGT tax arrears collection customer service** – An assessment of the Collections Directorate’s Customer Service Area was conducted and it was found adequate and effective for the processes to be part of the Integrated Customer Service Center planned for the MOF. There will be a few enhancements that will be proposed before the operation is integrated to the Center. Project will continue working with the area on these enhancements in the next months.
- **Development of the DGA Administrative and Functional Reform proposal** – The Project conducted and validated an assessment of the DGA Administrative and Operational areas and presented an extended proposal for an administrative and functional reform of the DGA to the Director of Customs and to the Vice-Minister of Revenue. This proposal included a radical restructuring plan to reorganize the DGA into process-oriented areas to more effectively and efficiently manage operations. The assessment found the DGA to be in a chaotic state of management, each unit conducting operations in an isolated, unharmonious state. Reorganizing the DGA into process areas will help the units to accomplish their mission by communicating with each other to make critical decisions about the customers they server. The organization and employees also need to surpass the paradigm that has been built there for decades. The project is also planning to build an aggressive Change Management initiative around the proposed changes to ensure that transition to the new structure goes smoothly. Late in March 2018 the Project met with the Vice-Minister of Revenue and the Customs Director. The Customs Director presented a revised version of the Restructuring proposal the Project submitted. Both the Project and the Vice-Minister accepted the revised proposal and a team composed by the Project’s experts, the Director of Customs and the Vice-Minister of Revenue will present this proposal to the new Minister of Finance for final approval. Once approved, the Project will commence coordinating the activities to implement the new structural reform.

- **Assessment of VAT refund to Exporters** – The project conducted a thorough assessment of the processes used by the DGII to execute the VAT Tax Refunds to exporters. According to the Salvadorian law, the taxes must be refunded within 30 days of the application. The Project found that the unit that handles this process is behind and their process lacks consistency, coupled with an ailing software system and lack of proper connections with the Customs' automated system. The Project is teaming up with the USAID Competitiveness Project to assist in improving the automated system and the processes. The Project held several meetings with the Competitiveness Project and it was agreed that they will contract the IT staff to conduct an assessment in the current software being used in the unit and make recommendations to enhance the software or replace it. The Project will provide technical assistance to modify procedures, so the process is more consistent. One accomplishment, while looking into improvement of this process, was that the Project facilitated meetings between Customs and DGII to provide full access for DGII employees in the unit to the Customs' System. This access will allow refund specialists to see images of the VAT returns and complete their analyses in a more expeditious manner.
- **Training to IT DGT staff on software development for SITEP migration** – The Project delivered training in software development to DGT staff, using the project strategy in which a code generation tool that follows the MOF development standards is used to code the basic structure of any software. The training involved Jee, Spring Framework and other components of the code generator, as well as a workshop where the process of software analysis and design was addressed. This training prepared DGT for the migration to the new Integrated Public Treasury System (SITEP).

WORK IN PROGRESS

- **Support the approval of the Simplified Tax System proposal** – The Project staff had several meetings with the Vice-Minister of Revenue and MOF legal experts to review the proposal of a simplified tax system for micro and small businesses developed by the Project. The Vice-minister agreed with the proposal, and minor adjustments were done to perfect the reform and it will be later presented to the Legislative Assembly for approval. The proposed system simplifies the compliance rules on income and value added tax for micro and small businesses, helping them to enter to the formal economy and increasing GOES revenues.
- **Training on use cases development for the DGT, DGII and DGA** - The Project continued providing training and technical support on Use Cases development to the DGT, DGII and DGA. With this support, these directorates will be able to correctly design use cases, which will make the development of the CSMS II Collections and Customs modules easier.
- **Strengthening of the DGT Tax Arrears Collections Directorate capacity to collect tax arrears** – The DGT Tax Arrears Collections Directorate has been very successful in increasing revenues for the past few months, this is partly attributable to the strategy of inventory stratification implemented with support of the Project, the call center strengthening

and to the Tax Amnesty Law that went into effect on October 2017. The Collections Directorate reported cash revenue collections of \$71,412,744.83 and an additional \$25,083,119.44 in installment payments as of March 20, 2018 because of the Amnesty Law. The Directorate has identified gaps on the cases coming from DGII and Customs, some of these cases were not identified timely and have been in the system without actions for a long time. The Collections Director was able to put many of these cases into production, which helped increase the expected recovery of delinquent taxes owed. The Project will be working in providing technical assistance to the newly formed Collection Elite Group, which is composed of the best skilled collectors that are currently pursuing collection of higher value cases.

- **CSMS II Tax Arrears Collections Module use cases development** – As result of the training in use cases development, personnel from Collections began building screens and programming specifications to build the different modules that will comprise CSMS II. The Collections Management Information Module within CSMS II will aid management to effectively allocate work and resources to attain higher revenues and the integration of the Master File of Current Account with the Collections module will resolve many of the issues related to perfecting taxpayers tax debt that legally allows the collection of delinquent taxes. A management module will also be part of this system that will allow management to monitor key performance indicators and ensure that the operation is effective. The development of use cases has suffered a slow down due to the lack of human resources, but collection officials are compensating by integrating new staff into the initiative.
- **Support the review and development of a new conceptual model for the tax control process** - The Project continued to work with DGII in building the framework for the new data mining, case selection and audit model developed by the Project. DGII officials and the Project worked in completing the preliminary steps to implement the data mining strategy. A server was procured to house the data that will be secured from information returns and external sources. The CSMS II developed by FPEMP is working appropriately for medium and other taxpayers (this software processes the high-risk level cases and makes the selections and assigns the cases automatically to auditors; making the process transparent and efficient). These cases are usually processed massively, which results in quick revenue collections. With the help of the Project, internal tax information forms/returns were revised and expanded to secure much more information that will be used to detect evaders. Thanks to the teamwork of members from the Project and DGII, the remaining tax returns that were previously completed manually by the taxpayers are now being filed through the e-filing system. The Project also met with Directors of DGII Planning, Audit and Case Selection Units to discuss the creation and building of Performance Indicators that will be used to measure the new fiscal process. DGII officials stated that they developed some indicators in the past with support from the German Cooperation, but these were never implemented. The previously created indicators were reviewed and use cases are currently being developed to

program parameters under CSMS II. This is one of the tasks that forms part of the new audit conceptual model.

- **Support the development of the economic, fiscal and institutional presence maps** – The Project continued to assist DGII in their efforts to fully implement the Risk Model Maps suggested under previous USAID assistance FPEMP. Pilot tests for the new fiscal and institutional maps were already conducted and the models were institutionalized in 2017. Only peripheral actions remain to complete, such as a series of follow-up meetings that were held with DGII personnel to ensure that activities and tasks related to data mining to determine risk and case selection advance toward the completion of the Maps. Performance indicators are currently under use case development and all informational forms will be incorporated into the Ministry’s e-filing system effective April 2, 2018. In case selection, Project will assess the substantive case selection process because they are encountering some parameter configuration issues with the system.
- **Assessment of DGII training needs for the implementation of the new tax control system and tax arrears system implementation** – The Project gathered a list of equipment and training needs from DGII, based on the needs that were identified. The Project started working with MOF Training and Capacity Building Department (DFDT) to determine which programs can be provided internally and which courses the Project will support. The training needs focus on management and technical skills. Also, the equipment DGII needs would enable them to further implement the Risk Model Maps suggested by the Project, which will be fully institutionalized in 2018. The Project additionally identified the e-learning needs for public fiscal auditors. The Project identified a training need to improve the performance of the fiscal auditors in completing the on-line process for the audits. DFDT has developed an effective classroom course for fiscal auditors, but they need to reach a wider audience for which the e-learning platform will be useful. The Project will support DFDT to create the e-learning modules.
- **Integrated Current Account Module within JSIIT** - The Project organized a meeting with authorities from DGA, DGII and DGT (Collections) to coordinate the integration of the Current Account in the Integrated Tax Information System (JSIIT). All accounts from these directorates, whether paid or in arrears, should be funneled through a unified Current Account in order to have a transparent control and for the unpaid accounts to meet all legal requirements for the Collections Directorate to be able to collect them immediately after the accounts are assigned to this Directorate. Currently, DGII is the only directorate with an organized section to perfect the arrear accounts before they reach Collections. DGII also keeps a repository or database that allows them to issue “solvencias” when these are requested by taxpayers. A “solvencia” is a certification by the DGII on behalf of the Ministry of Finance that shows that a taxpayer does not have any pending tax issues. The DGA does not currently have a section that handles these accounts, therefore, this process will be reviewed by the Project to determine how it could be improved. It was decided that DGII will be the best to handle the integrated Current Account. The involved areas of the three

Directorates will start meeting at the beginning of next semester to start developing the use cases for the module making use of the knowledge acquired in the trainings on use cases, after that, the Project can start to program the use cases in CSMS II.

- **Support the development of the new SITEP** – The Project continued supporting the development of the Use Cases for the new SITEP. To date, DGT has completed the design of the Use Cases for 2 modules, another 14 modules use cases are pending. In addition, support was provided for the analysis and design of the External Funds in Custody and the Return Modules and their security component.
- **Support the implementation of the e-filing system** – The Project hosted several meetings with DGII officials to assist them in modifying the informational returns that are still to be integrated into the e-filing system. As a result of these meetings, all informational returns will be activated for e-filing effective April 2, 2018. Contingency plans were built to account for future revisions of these forms. The DGII programming unit was issued new computers by the Project, the unit lost computers during the July 2017 fire. The issuance of this equipment assisted in the acceleration of the e-filing initiative.
- **Assessment of the DGII Internal Audit Unit** – The Project followed-up on the progress of the Internal Audit Unit that was created under DGII by recommendation of previous USAID assistance, Tax Policy Administration Reform (TPAR) Project. The Project realized that the Unit did not conduct the audits process that were agreed in May 2017. Project also found that there is a separate Internal Audit Unit under the Transparency and Anticorruption Unit with about 20 auditors who have been conducting many audits for several years. The Project conducted an assessment of needs for this Unit, one of the areas where the Unit has requested support is training. The Project will follow-up on the planned activities and will develop a managerial workshop for the Unit; according to the needs identified in the assessment, the training will focus on two areas: provide a management training overview distinguishing the difference between a manager and a leader, and working with managers from Audit and Tax Collections to identify the information (reports) needed to be included in the new management information system.
- **Draft of a Custom Code Proposal** – The Project experts, in coordination with an attorney from DGA, continued drafting the articles for the Customs Code proposal. The draft was completed and is currently under final validation and revision. It will be presented to the Vice-minister of Revenue toward the end of April 2018.
- **Development of a Customs Service Call Center and Customs Service Site** – The Project recently submitted to the Vice-Minister of Finance a proposal to launch an Integrated Taxpayer Customer Service Center, the Vice-Minister approved the proposal and it will next be presented to the Ministry of Finance for his approval. The Service Center will provide assistance to DGA, DGII and Collections' taxpayers. The Project is also proposing the creation of a separate Customs' Customer Service Center that will be located at their headquarters office in San Bartolo. The Project will be assessing the feasibility of this separate center and the estimated costs involved during the first week of April 2018. The Project will

also be creating a Call Center Site for Customs – site selection and work plan is scheduled for late April 2018.

- **Assessment of DGA training needs** - The Project began discussions with DGA to finalize a Communications Strategy and to assess what their training needs will be. The Project is currently working with both MOF Training and Capacity Building and Communications Departments to define a strategy to meet all DGA training and communications needs. The Project also held meetings with DGA to define a training schedule, the Directorate asked for support to communicate the improvements and educational activities to customers. The Project will follow-up accordingly to meet this need. The Project also started discussions with the IDB to be granted access to their e-learning programs for Customs, the IDB is agreeable to conducting some of their programs on a regional basis. This may be a valuable resource if El Salvador joins the Customs Union to which Guatemala and Honduras already belong.

NEXT STEPS

- **Support the approval of the Simplified Tax System proposal** – Once the new Legislative Assembly is established, the Project will support the approval of the bill and then its implementation. The Project will organize presentations and technical discussion to advocate for the approval of the tax bill.
- **Support the approval of the administrative tax arrears collections bill** – In the next semester, once the new *diputados* are established after the 2018 Legislative Assembly elections, the Project will resume support to the approval of the Tax Arrears Reform. The Project will organize presentations, technical discussion and study tours to advocate for the approval of the tax bill.
- **Support the creation of a Fiscal Reforms Unit** – a consultant traveled to the Project and created a preliminary design for this unit. A preliminary design for this Unit was submitted and the vice-minister for revenue agreed for the unit to be located under his office. The consultant is still working on where and how this should be implemented.
- **Training on use cases development for the DGT, DGII and DGA** - The Project will continue providing training and technical support on Use Cases development to the DGT, DGII and DGA.
- **Strengthening of the DGT Tax Arrears Collections Direction capacity to collect tax arrears** – Next steps for Collections include a status assessment and follow-up to the stratification of inventory that was implemented with Project's technical assistance. The Project will also develop a follow-up assessment of how management is utilizing resources to attain results, including technical assistance to the Elite Group.
- **Support the review and development of a new conceptual model for the tax control process** – The Project will continue assisting DGII in the full development of the model. The Project will follow-up on the reorganization of auditors according to their skill levels. The Audit Director already submitted his strategy to reorganize auditors and he is taking preliminary steps to implement the changes.

- **Support the development of the economic, fiscal and institutional presence maps** – The Project has graphically established lines of responsibility for each of the maps and the final draft will be shared with DGII officials for their feedback. Once these lines of responsibility are ratified, the Project will look at each of the sections to optimize their responsibilities to better fit the new control model.
- **Deliver training on audit to DGII auditors** – Following the findings of the DGII audit assessment developed by the Project, in the next months, the Project will support the strengthening of the DGII Internal Audit staff capacities. Also, the DGII will present their plan to construct a strategy to ensure that auditors apply what they will be learning after trainings.
- **Integrated Current Account Module within CSMS II** – The Project will continue monitoring the creation of use cases for this module. A cross functional team was engaged to construct the module.
- **Support the development of the new SITEP** – The Project will continue supporting DGT in the development process of the new SITEP, however, it will be DGT itself who will develop their own software. However, DGT IT department asked the Project to incorporate some functionalities to the code generation process and the Project agreed.
- **Support the implementation of the e-filing system** – The Project will monitor that full implementation of the e-filing system goes into effect by April 2, 2018. A written commitment of the DGII staff has been secured to ensure that this task is completed in time.
- **Assessment of the DGII Audit Unit** – The Project will conduct a thorough assessment of the Audit Process starting April 22, 2018. It is anticipated that findings will be presented to DGII officials during May 2018, with an improvements work plan submitted shortly after that.
- **Draft of a Custom Code Proposal** – The Custom Code proposal was finished and it will be presented first to the Vice-Minister of Revenue, if accepted, then it will be presented to the MOF Minister and then the Legislative Assembly.
- **Development of a Customs Service Call Center and Customs Service Site** - The Project visited the proposed location for the Customs' Service Center and will be developing an estimated cost analysis to determine if these expenses fall within the Project's budget. The decision will be made at the beginning of April 2018. Plans for a Customs Call Center are underway; however, we are awaiting a final decision by the Minister on the Administrative Reform proposal made by the Project.
- **Assessment of DGII customer service to taxpayers** – The Project conducted a preliminary assessment of the DGII customer service area. It was found that the actual operation needs to be reformed to optimize and integrate the services they provide. A more thorough assessment needs to be conducted in conjunction with the Director of Customer Services at DGII.

- **Support the establishment of a centralized taxpayers' service center** – the proposal for the center was approved by the vice-minister of revenue and will be presented to the Minister for approval.
- **Support the implementation of the DGA administrative and functional reform** – Once approved, the Project will assist DGA in implementing the administrative and functional report in DGII.
- **CSMS II Customs module development** - Once the Use Cases for this module are submitted by DGA, the respective analysis and planning for the software development process will be carried out.
- **Support the implementation of a customs fraud crackdown program** – The Project will assess the current procedures (if any) in fraud detection at Customs and provide recommendations for its improvement. The Project will also design a strategy for the construction and implementation of a Fraud Unit under Customs and support them in the implementation of the recommendations derive from the assessment.
- **Study Tour to Colombia on Customs audit techniques** - The program will develop a study tour to the Colombian Tax and Customs Administration for the DGA Audit unit, so they can learn from the Colombian experience in the customs reverse audit and forensic customs investigations.
- **Assessment of Customs software, hardware and IT systems** - An analysis will be carried out in the DGA to identify the coverage and quality of the IT system they use to provide their services, as well as, identifying if the current IT infrastructure that the DGA has is sufficient to support the information requirements of internal and external users.
- **Study tour to Argentina on Customs IT systems** - The project will develop a study tour to Argentina for the DGA to learn on the IT systems develop by the Argentinean to efficiently facilitate trade.
- **Assessment of DGA training needs** - The Project will continue discussions with DGA to finalize a Communications Strategy and to assess what their training needs are.

COMPONENT 4: TRANSPARENCY AND PUBLIC-PRIVATE DIALOGUE ON FISCAL POLICY STRENGTHENED

The Domestic Resource Mobilization Project supports the improvement of the public finance transparency and the strengthening of the dialogue between the public and private sector regarding fiscal issues. Project also supports the creation of new channels for citizen participation on fiscal matters.

ACTIVITIES/WORK IN PROGRESS

- **Proposal to redesign the Public Procurement Ombudsman Portal** – The Project developed an assessment of the MOF Public Procurement Ombudsman to suggest a two-year work plan for upcoming activities. The assessment and the proposal were discussed with UNAC Director who agreed with the plan and accepted most of Project suggestions to re-design and re-structure the Portal. UNAC then presented the new structure for the portal according to their revisions and a timeline to start working on the new portal's development. Some aspects of the re-design are still being revised between the Project and UNAC, but once the proposal is fully approved by UNAC Director the Project will start the Portal's development.
- **Communication strategy with GOES, private sector and Civil Society groups to get their feedback from fiscal reforms proposals and implementations** - During the semester, Project organized a series of keynotes to present the GOES's Public Financial Reform and Project's activities to different Civil Society Organizations and think tanks at a high-level management. The role of these institutions is important to generate a social discussion on a national scale. During the meetings, the Project objectives and public financial management (PFM) reforms roadmap towards the upcoming months and years were presented. Project met with the Salvadoran Association of Industrials, National Association of Private Corporations (ANEP) and the Salvadoran Institution for Social and Economic Development. The Project also reached out to the Ministry of Economy to discuss many topics concerning the development of the Project activities such as Customs reform, e-filing system, simplified tax system, among others. ANEP requested the presentation to be delivered to the 50 organizations that comprise the association. During the following months the project will deliver the requested conference.

NEXT STEPS

- **Proposal to redesign the Public Procurement Ombudsman Portal** – Once the proposal is fully approved by UNAC Director the Project will start the Portal's development.

- **Communication strategy with GOES, Legislative Assembly, Private and Civil Society groups to get buy-in for key reforms approval** – Once Project gets approval from the Vice-Minister of Finance and USAID to meet with Legislative Assembly and Political parties’ representatives to advocate on behalf of the AFI Law, Tax Arrears Collection Law, and other legal initiatives proposed by the project, the project will proceed to make the necessaries arrangements on this matter.
- **Development of a communication strategy with GOES, Private and Civil Society groups to get their feedback from fiscal reforms proposals and implementations** – To continue the with the strengthening of the Public-Private Dialogue, the project has scheduled a series of meetings with Civil Society organizations to reinforce the relationship with them and to start the discussion on a higher level of the Public Expenditure Reform the Project is supporting. On April 2018, the project will conduct a presentation to the National Association of Private Companies, National Association of Industrials and Salvadoran Foundation for Social and Economic Development.
- **Assessment of fiscal information demand from the private sector and civil society-** To get ready for the development of the new portal on the SAFI II system, the project will conduct and assessment on the needs of fiscal information from private sector and civil society.
- **Support the promotion of the Public Procurement Ombudsman Portal** - The project will support the improvement of the portal and the development of a strategy to promote the civil society and private sector participation.
- **Study tour to Chile on Public Procurement Ombudsman** - The project needs to strengthen the Public Procurement Ombudsman Office (PPOO) to guarantee proper transparency and COMPRASAL II successful implementation. To improve the current staff capacity, a study tour to Chile will be developed to provide indeep training to the PPOO staff.
- **Training on Public Procurement transparency for PESS Municipalities** - A large training program for the municipalities on electronic public procurement and transparency initiatives will be delivered to the municipalities comprised in the El Salvador Safe Plan (PESS).
- **Proposal for the establishment of a Fiscal transparency and Accountability office overseen by the Vice-Minister of Finance** – The Project will develop a proposal of creation of a fiscal transparency and accountability unit that will manage the fiscal transparency portal and will be in charge of improving the GOES fiscal transparency practices.
- **Support the establishment of a Fiscal transparency roundtable that includes public and private sectors** – In the following months the Project will start advocating for the establishment of a roundtable that includes public and private sectors for the discussion of PFM, fiscal transparency and tax revenues reforms.

CROSS-CUTTING ACTIVITIES

This section includes a list of different topics, activities and events that affected the overall performance of the Project and each of its components during the reporting period.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE SEMI-ANNUAL

- **Change of Minister of Finance** – The President decided to change the Minister of Finance, **Mr. Carlo Caceres**. Fortunately, the new Minister will be **Mr. Nelson Fuentes**, the previous DPEF Director, from which the Project has full support for the implementation of most of its activities.
- **Development of a change management strategy in coordination with the MOF for the implementation of PFM and revenue reforms** - The Project developed and presented the Change Management and Communications Strategy to the MOF's General Administrative Director. The Project proposed that the Minister of Finance should create a Change Management Office under his supervision, then one in each MOF Directorate. Each unit would have a Change Management, Communications and Training Coordinator. The General Administrative Director agreed with the proposal and Project began meeting with its counterparts in Communications and Training Departments. The strategy proposal was later presented to Vice-Minister of Finance, who approved it. Project has been working closely with the MOF Training Department to conduct training activities. In most directorates, Communications and Training have established liaisons.
- **Signing of contract with TechChange** - The Project signed a contract with TechChange for the development of the e-learning modules of COMPRASAL II, ROB and Medium-Term Frameworks. TechChange will support the e-learning program providing a state of the art e-learning system that will support all the change management strategy. Project conducted an initial capacity assessment meeting with TechChange in February, as a result of this first assessment TechChange developed a draft work plan based on MOF priorities and reviewed the resumes of several local e-learning/audiovisual specialists that may be able to support the e-learning materials development. TechChange will begin developing an animation and interactive PDF programs that will be a model for other e-learning activities. This cost-effective approach will combine local resources and the technical skills from TechChange. By creating reusable templates, Project will reduce the overall cost of development. Up until now, the work with TechChange has proved to be very beneficial for Project staff, TechChange and MOF personnel.
- **E-learning workshops for MOF Directorates** – Following the e-learning strategy, Project conducted a one-day e-learning workshop for 36 e-learning course developers from all MOF Directorates. The training focused on the basics of e-learning methodology and design. In the training, there were also participants from José Matías Delgado University and the National School of Public Training. The Project, National Directorate for Financial Administration

(DINAFI) and MOF Training Department delivered presentations. A panel discussion was held at the end of the training where the participants shared experiences and e-learning activities. Feedback from the participants was excellent. Later in the semester, Project subcontractor TechChange conducted a 2-day workshop for 30 MOF and Project personnel involved in the development of e-learning projects; this was a hands-on workshop to review basic design concepts and various software tools, the workshop was very well received by the participants. This introduction will enable them to better identify possible audio-visual resources that can be used to improve their programs. The project is also in the process of purchasing licenses to enable the teams to continue their work. The project will also continue to work with TechChange to develop templates that can be replicated and used in various programs.

- **Coordination of activities with other USAID Projects** – During this semester, the Project had the opportunity to meet with other USAID initiatives to coordinate activities and foster learning and experience sharing. Project met with USAID Pro-Integridad Project which focuses on transparency and civic engagement to identify areas in which both projects have common interest, two primary areas were identified: COMPRASAL II and Accounting. Whereas Domestic Resource Mobilization Project focuses on the development of public systems to improve transparency and efficiency, Pro-Integridad Project focuses on public awareness issues, both projects will coordinate efforts in the future if pertinent. Project also met with USAID El Salvador Competitive Project to discuss and identify which Project activities may affect the competitiveness of medium, small and micro enterprises. It was agreed to hold meetings in the future to coordinate efforts and to foster experience and knowledge sharing, following this agreement, further meetings were held to coordinate collaboratively work to assist in bringing change and improvements in Customs to facilitate commerce and to evaluate the Tax returns to exporters that had fallen behind.
- **Agreement of a Cooperation Program with ENAFOP for GOES trainings** – The Project reached out to the National School of Public Training (ENAFOP) to establish a new cooperation between institutions, the Director of ENAFOP is willing to work together with the Project and a cooperation work plan for upcoming training of GOES institutions in COMPRASAL II, SAFI II and ROB is under discussion.

ACTIVITIES/WORK IN PROGRESS

- **Development of an e-learning strategy in coordination with the MOF for PFM and revenue trainings** – In the next semester, Project will continue developing the e-learning strategy for the MOF, subcontractor TechChange will continue supporting the e-learning programs developing and providing feedback along the way. It is expected that in the following months at least 3000 MOF personnel will be trained on COMPRASAL II Libre Gestion and PAAC modules via the e-learning platform. Medium Term Frameworks and ROB e-learning modules will be developed next semester.

- **Coordination of activities with local universities** – The Project continues to work with local universities to support its programs. Jose Matias Delgado University has supported the project by providing classroom space for various project training programs and allowing the use of their radio and TV laboratories to produce the audiovisual material for the COMPRASAL II e-learning modules. This has been an invaluable resource, especially considering the reduction in space caused by the fire of July 2017. Project also got an agreement with the Evangelical University of El Salvador to support the narration of various e-learning programs. Students assisting the project in narration and editing will receive credit for their social service requirements, this contributes to strengthen the collaboration net the Project has with civil organizations.

NEXT STEPS

- **Follow up the implementation of the change management strategy for PFM and revenue reforms** - The Project will follow-up the implementation of Change Management and Communications Strategy in the MOF. The Project will provide guidance and support to the Change Management, Communications and Training Coordinators within each Directorate and will continue working with MOF Training Department to conduct training activities.



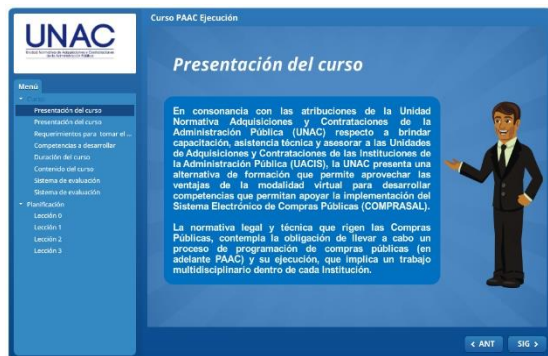
USAID
FROM THE AMERICAN PEOPLE

EL SALVADOR

CASE STUDY/ SUCCESS STORY

Developing Capacity Building in e-Learning programs in the Ministry of Finance.

The project is bringing new technologies to train many people through the e-learning courses.



Lección 1: La Programación Institucional de las Compras

La Programación Institucional de las Compras

Aplicación de la Clasificación OBS en el proceso de compra:

Si en nuestra institución se necesita comprar llantas para los vehículos de la Sección de Transporte para el próximo año y tengo que registrar la solicitud en la PAAC. Los datos que debo tener en cuenta serán útiles para seleccionar y detallar el tipo, medida, material u otras características de OBS a programar en la PAAC.

Especificando el tamaño de la llanta según el del automóvil, por ser número de llantas de la llanta, entre otros. Ejemplo: Llanta 155 R 14 - 8 lonas.

Challenge

Through its Ministry of Finance (MOF), the Government of El Salvador is pursuing a process of modernizing its public financial management systems as well as strengthening its capacity for revenue collection to provide public institutions with greater resource inflows that will be managed more effectively. This requires the implementation of new systems and processes in many of the Ministry's areas, such as Treasury, Accounting, Public Expenditure and Public Investment. To successfully implement the reforms and new processes, the MOF must train personnel in all the ministries and public institutions of El Salvador.

For example, the implementation of the new software for Public Procurement, COMPRASAL II, requires the MOF to train over 3,500 government procurement officers. In addition, there are over 10,000 potential private providers of goods and services to the government that also need training on the new system. The MOF is thus faced with reaching both audiences in a 6-month period. Using conventional classroom training to achieve this would be impossible.

Initiative

E-learning became the only viable alternative to reach such a large audience, additionally, e-learning offers other benefits such as schedule flexibility, access from home and adaptation to the apprentices' learning pace. Like COMPRASAL II the new Results Oriented Budget process and *dictamen fiscal* project also require reaching large audiences both in the public and private sectors.

To foster this approach, the USAID Domestic Resources Mobilization Project, in coordination with Project's subcontractor TechChange, a leading provider of online professional development in technology and social change, conducted two e-learning workshops to train the MOF's Training and Human Development Department (DFD) and MOF personnel to design and develop e-learning programs.

Additionally, the Project supported the DFD and MOF's personnel to convert traditional training materials into interactive online training resources.



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EL SALVADOR

CASE STUDY/ Success Story

Lección 3: Ejecución de la PAAC – Parte 2

El siguiente vídeo muestra cómo elaborar una solicitud de compra o requerimiento.



Aprendiendo a ejecutar la PAAC en COMPRASAL



Generalidades

- Planificación
- Lineamientos del curso virtual
- Plan General del curso
- Guía didáctica



Contenido virtual

- Lección 0: Plataforma de capacitación virtual
- Lección 1: La Programación Institucional de las Compras
- Lección 2: Ejecución de la PAAC – Parte 1
- Lección 3: Ejecución de la PAAC – Parte 2

Results

One of the biggest achievements of the e-learning strategy supported by the Project is the creation of new internal capacities based on the best international practices in designing and developing effective training programs.

The first major e-learning program developed was for the modules of “Annual Public Procurement Plan” and “Libre Gestion” of the new software for Public Procurement, COMPRASAL II. This first e-learning program was delivered from the period of January to March 2018, in which 379 procurement officers from various government institutions were trained. The initial feedback for the course was excellent. The goal is to train 3,500 people in the next months.

The synergy between DFD and USAID Domestic Revenue Mobilization Project has created a cadre of developers who will keep designing and developing programs using various e-learning tools. Project will continue to work with the groups to transfer skills in designing and developing the programs that will permit the MOF to increase the knowledge of the Public Financial Reform, both within the public sector and the private sector.

DOMESTIC RESOURCE MOBILIZATION PROJECT - PROGRESS TOWARDS EXPECTED RESULTS

EXPECTED RESULT	PROGRESS
COMPONENT 1: Budget Planning and Preparation Improved	
1. At least 75 percent all GOES entities (including all ministries) produce a Medium-Term Institutional Framework (MTIF) .	The DPEF is responsible for the development of the MTEF, DGP is responsible for the development of the MTEF and GOES entities are responsible for the development of MTIF. That said, the Project will review the methodology and technical tools of the Medium-Term Frameworks and provide feedback and recommendations for their improvement. During the reporting period, the Project delivered training on MTIF to 1,975 personnel from 106 GOES institutions.
2. Aggregate GOES expenditures have a variance less than 1 percent from planned budget on an annual basis.	Project continued developing the Treasury and Accounting subsystem within the SAFI II and supporting the deployment of the COMPRASAL II. Project also continued drafting a new AFI Law reform proposal that will include, among other things, the implementation of budget commitment installments. Project also started supporting the improvement of the budget formulation practices in MINSAL for the ROB adoption. The Project will also support the Ministry of Education, Public Works, Environment and Natural Resources, Agriculture and Livestock, Defense and Security and Justice. All these ministries comprised approx. 50.5% of the 2016 executed budget.
3. Composition of GOES expenditure has a variance less than 1 percent from planned budget on an annual basis.	Project continued developing the Treasury and Accounting subsystems within the SAFI II and supporting the deployment of the COMPRASAL II. Project also continued drafting a new AFI Law reform proposal that will include, among other things, the implementation of budget commitment installments. Project also started supporting the improvement of the budget formulation practices in MINSAL for the ROB adoption. The Project will also support the Ministry of Education, Public Works, Environment and Natural Resources, Agriculture and Livestock, Defense and Security and Justice. All these ministries comprised approx. 50.5% of the 2016 executed budget.
COMPONENT 2: Budget Execution Improved	
1. 100 percent of all GOES entities using TSA	The Project conducted an assessment of the current DGT organizational structure and made a reform

EXPECTED RESULT	PROGRESS
	<p>proposal for these structures to prepare DGT to successfully implement the TSA. Project will support the approval and implementation of the reform. In the following months, the project will support the development of an inventory of existing GOES bank accounts and institutions that will be affected by the advance TSA implementation.</p>
<p>2. Full integration of TSA sub-system with SAFI-II.</p>	<p>The Project continued with the development of SAFI II Treasury Subsystem started by FPEMP. The Subsystem is being developed fully integrated with the TSA. However, the necessary dependencies to interconnect this subsystem with others SAFI II subsystems are not available. The Project asked for these dependencies and the MOF send the Integration Use Cases during early January 2018. However, the Use Cases were reviewed and it was determined that it was necessary to hold clarifying workshops to adjust the functional characteristics in the Use Cases, these workshops were developed from the beginning of February to the end of March. Revised Use Cases are yet to be submitted to the Project. Without these inputs SAFI II Subsystems can't be connected.</p>
<p>3. MOF consistently produces a moving 12-month Cash Flow Projection</p>	<p>The Project will carry out a study tour to Argentina for DGT official where they learned about cash projection tools development and implementation. Based on this experience, the DGT and the Project will develop a conceptual model and use cases for a new cash flow projection tool that will help improve cash management practices in El Salvador.</p>
<p>4. 100 percent of excess bank accounts reconciled and closed.</p>	<p>The Project conducted an assessment of the current DGT organizational structure and made a reform proposal for these structures to prepare DGT to successfully implement the Treasury Single Account System (TSA). Project will support the approval and implementation of the reform. In the following months, the project will support the development of an inventory of existing GOES bank accounts and institutions that will be affected by the advance TSA implementation.</p>
<p>5. 100 percent implementation of SAFI-II in all GOES entities</p>	<p>The Project continued with the development of SAFI II Treasury and Government Accounting Subsystems started by FPEMP. The necessary dependencies to interconnect SAFI II subsystems with COMPRASAL II are not available. The Project asked for these dependencies and the MOF send the Integration Use</p>

EXPECTED RESULT	PROGRESS
	<p>Cases during early January 2018. However, the Use Cases were reviewed and it was determined that it was necessary to hold clarifying workshops to adjust the functional characteristics in the Use Cases, these workshops were developed from the beginning of February to the end of March. Revised Use Cases are yet to be submitted to the Project. Without these inputs SAFI II Subsystems can't be connected. The Project expects to have the SAFI II ready for deployment by mid-2018.</p>
<p>6. 100 percent deployment of COMPRASAL II PAAC module and "Libre Gestión" modules to all GOES entities.</p>	<p>Project is continuing FPEMP efforts of advocating for the enforcement of the Salvadoran Public Procurement Law Regulation and the use of COMPRASAL II among public institutions. During the reporting period, the Project supported UNAC in delivering traditional trainings on COMPRASAL II PAAC and <i>Libre Gestion</i> modules to 39 GOES institutions, comprising 855 GOES personnel. The Project also trained 363 personnel from various institutions via e-learning.</p>
<p>75 percent out of 262 municipalities implement SAFIM (These must include the 50 municipalities of <i>Plan El Salvador Seguro</i>).</p>	<p>Project has agreed with the DGCG to provide support in the deployment of the Municipal Integrated Financial System (SAFIM) across some municipalities. Support will start on early 2019.</p>
<p>8. GOES' Ministries that manage at least 50 percent of the GOES Annual Operating Budget will be strengthened in public financial management.</p>	<p>The Project started supporting the ROB implementation in the MINSAL. The Project will also support the Ministry of Education, Public Works, Environment and Natural Resources, Agriculture and Livestock, Defense and Security and Justice. All these ministries comprised approx. 50.5% of the 2016 executed budget.</p>
<p>COMPONENT 3: Tax Policy and Administration Improved</p>	
<p>I. Contribute to the GOES' efforts to achieve a two percent increased tax revenue measured as a percentage of GDP over the baseline established at the end of calendar year 2017.</p>	<p>During the reporting period, the Project drafted a Customs Fraud and Crime Enforcement Rule that seeks to increase customs control and customs revenues. Additionally, the Project continued the drafting of a new Customs Code and supporting the improvement of DGII and DGA audit techniques. The Project also is supporting the implementation of a simplified tax system and administrative tax arrears collections. Moreover, the Project continues supporting the strengthening of the DGT Tax Arrears Collections Direction.</p>

EXPECTED RESULT	PROGRESS
2. Level of tax payer non-compliance reduced (Baseline provided by MOF statistics).	During the reporting period, the Project drafted a Customs Fraud and Crime Enforcement Rule that seeks to increase customs control and customs revenues. Additionally, the Project continued the drafting of a new Customs Code and supporting the improvement of DGII and DGA audit techniques. The Project also is supporting the implementation of a simplified tax system and administrative tax arrears collections. These initiatives, among others, are expected to reduce taxpayer's non-compliance rate.
3. All regulations and directives drafted to operationalize the proposed "Procedural and Tax Law Reform" bill.	A final draft of the Administrative Tax Arrears Collections Bill was agreed and the MOF authorities will submit it to the Legislative Assembly once the new congress is established in June 2018. After this, the Project will resume FPMP efforts of getting approval for the bill.
4. Tax revenues from customs declarations increased by 10 percent from 2017 baseline ratio.	In the reporting period, the Project continued the development of a new custom code that will allow the implementation of new customs control systems and will simplify the compliance cost for the taxpayers. Additionally, the Project drafted a Customs Fraud and Crime Enforcement Rule that seeks to increase customs control. Project also started drafting the DGA organizational reform proposal and, in the following months, will start supporting the improvement of the custom customer service.
5. Sharing of information between DGA and DGII increased.	Project is currently training DGA, DGII and DGT staff for the design of use case for the CSMS II customs and collections modules and the integrated current account within the JSIT.
COMPONENT 4: Transparency and Public-Private Dialogue on Fiscal Policy Strengthened	
1. Fiscal transparency improved, as measured by international rankings such as the World Bank Open Budget Survey scores and PEFA assessments.	Once Project IT staff finish the development of the SAFI II Treasury, Accounting and Investment Subsystem, they will start the upgrading of the MOF Fiscal Transparency Portal. These subsystems need to be developed first because the portal will take the information and data generated by the new SAFI II.
2. 100 percent increase in the number of visits to the MOF's Transparency Portal.	Although the Project won't start working in the improvements of the Fiscal Transparency Portal until early 2020, once SAFI II Treasury, Accounting and Investment subsystem are finished, the Project will organize events, presentations and other communications strategies that will increase civil society awareness on public finance issues. These

EXPECTED RESULT	PROGRESS
	activities will help to increase the annual number of MOF's Fiscal Transparency visitors.
3. 75 percent of 262 municipalities hosting a sustainable Municipal Fiscal Transparency Portal.	By mid-2019, the Project will start the development of the new Municipal Fiscal Transparency Portal.
4. At least two events per year increasing dialogue among GOES, municipalities, civil society organizations, the private sector, and tax payers carried out.	The Project will continue organizing public events to increase dialogue among GOES, municipalities, civil society organizations, the private sector, and tax payers.

FINANCIAL INFORMATION (AS OF MARCH 31ST, 2018)

FINANCIAL REPORT				
BUDGET CHART OCTOBER 2017 - MARCH 2018 DAI GLOBAL LLC - DOMESTIC RESOURCE MOBILIZATION PROJECT AID-519-C-17-00002				
LINE ITEMS	BUDGET	INVOICED (as of September 2017)	INVOICED TO DATE (as of March 2018)	BUDGET AMOUNT REMAINING
TOTAL ESTIMATED COST	\$25,937,945.00	\$1,095,817.61	\$2,337,377.42	\$22,504,749.97
FIXED FEE	\$1,556,277.00	\$75,446.38	\$172,194.38	\$1,308,636.24
TOTAL ESTIMATED COST PLUS FIXED FEE	\$27,494,222.00	\$1,171,263.99	\$2,509,571.80	\$23,813,386.21

FINANCIAL REPORT					
BUDGET CHART OCTOBER 2017 - MARCH 2018 DAI GLOBAL LLC - DOMESTIC RESOURCE MOBILIZATION PROJECT AID-519-C-17-00002					
LINE ITEMS	BUDGET	INVOICED (as of September 2017)	INVOICED TO DATE (as of March 2018)	BUDGET AMOUNT REMAINING	% BUDGET SPENT
TOTAL BILLING	\$27,494,222.00	\$1,171,263.99	\$2,509,571.80	\$23,813,386.21	13.39%
TOTAL OBLIGATION		\$6,433,544.18	\$6,433,544.18		
PERCENT OBLIGATION SPENT		18.21%	39.01%		

FINANCIAL REPORT		
BUDGET CHART OCTOBER 2017 - MARCH 2018 DAI GLOBAL LLC - DOMESTIC RESOURCE MOBILIZATION PROJECT AID-519-C-17-00002		
MUNICIPALITY	EXPENDED (as of September 2017)	EXPENDED (as of March 2018)
SAN SALVADOR	\$ 1,171,263.99	\$2,509,571.80

Note: Project has a nationwide presence. Currently, all the expenses of the Project are to strengthen the capacity of the GOES.

ANNEX I. PERFORMANCE INDICATORS TRACKING TABLE (PITT)

Indicator Information						CY17			CY18			CY19			CY20			CY21			Life of Project		
No.	Type	Indicator Name	Unit of Measure	Disaggregation	Baseline	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%
Overall Program Impacts																							
O.1	Impact	Tax administration and compliance improved (% increase in the ratio of tax collections as percent of GDP) with USG assistance	Percentage	By type of tax	0.0%	N/A	0.0%		0.5%			0.7%			0.4%			0.4%			2.0%		
O.2	Impact	Public investment in the security and justice and social sectors as a percent of total budget expenditures	Percentage	By Sector	16.6% in security and justice and 46.6% in social spending	N/A	16.17% in security and justice and 43.72% in social spending		N/A			N/A			N/A			18.0% in security and justice and 52.0% in social spending			18.0% in security and justice and 52.0% in social spending		
O.3	Impact	Public investment in security and social sectors as percentage of gross domestic product	Percentage	By Sector	3.23% in security and 9.15% in social spending.	N/A	3.40% in security and 9.21% in social spending		N/A			N/A			N/A			3.3% in security and justice and 9.6% in social spending			3.3% in security and justice and 9.6% in social spending		
O.4	Impact	Public investment as percentage of gross domestic product	Percentage	N/A	Na	N/A	Na		N/A			N/A			N/A			3.0%			3.0%		

USAID El Salvador Domestic Resource Mobilization Project

Indicator Information					CY17			CY18			CY19			CY20			CY21			Life of Project			
No.	Type	Indicator Name	Unit of Measure	Disaggregation	Baseline	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%			
0.5	Impact	Fiscal balance as percentage of GDP	Percentage	N/A	-3.14%	N/A	-2.54%		-2.3%			-2.7%			-2.2%			-1.8%			-1.8%		
Component I: Budget Planning and Preparation Improved																							
1.1.1	Outcome	Percentage variance between actual and planned aggregate GOES revenues	Percentage	N/A	8.26%	N/A	1.90%		N/A			N/A			N/A			0.5%			0.5%		
1.1.2	Outcome	Percentage variance between actual and planned aggregate GOES expenditures	Percentage	N/A	2.64%	N/A	5.35%		N/A			N/A			N/A			0.5%			0.5%		
1.2.1	Output	Percentage of GOES entities relative to total using a ROB approach	Percentage	N/A	0.00%	N/A	0.00%		N/A			100%			100%			100%			100%		
1.2.2	Output	Percentage of GOES entities planning and executing their budget based on a MTEF and MTEF.	Percentage	N/A	0.00%	N/A	0.00%		N/A			N/A			N/A			100%			100%		

USAID El Salvador Domestic Resource Mobilization Project

Indicator Information					CY17			CY18			CY19			CY20			CY21			Life of Project			
No.	Type	Indicator Name	Unit of Measure	Disaggregation	Baseline	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%			
1.2.3	Output	Percentage of GOES institutions implementing Gender Responsive Budgeting (GRB)	Percentage	N/A	0.00%	N/A	0.00%		N/A			N/A			N/A			100%			100%		
Component 2: Budget Execution Improved																							
2.1.1	Outcome	Expenditure arrears as a percentage of total expenditures	Percentage	By level of government	GOES – 6.59% of total expenditure. Municipal government – Na.	N/A	GOES – 6.49% of total expenditure. Municipal government – Na.		N/A			N/A			N/A			3.0% for both Central and Municipal Govts			3.0% for both Central and Municipal Govts		
2.2.1	Output	Percentage of GOES expenditures going through the SAFI II that are integrated with the Treasury Single Account (TSA)	Percentage	N/A	0.00%	N/A	0.00%		N/A			100%			100%			100%			100%		
2.2.2	Output	Percentage of all procurement transactions performed through COMPRASAL II	Percentage	By level of govt	0.00%	N/A	0.05%		N/A			N/A			N/A			100%			100%		

USAID El Salvador Domestic Resource Mobilization Project

Indicator Information					CY17			CY18			CY19			CY20			CY21			Life of Project			
No.	Type	Indicator Name	Unit of Measure	Disaggregation	Baseline	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%
2.2.3	Output	Percentage of GOES agencies using SAFI II	Percentage	N/A	0.00%	N/A	0.00%		N/A			100%			100%			100%			100%		
Component 3: Tax Policy and Administration Improved																							
3.1.1	Outcome	Revenue Productivity (Gross Compliance Ratio)	Percentage	By type of tax	59.64% VAT Compliance Rate; 23.56% Income Tax Compliance Rate	N/A	60.42% VAT Compliance Rate; 23.83% Income Tax Compliance Rate		N/A			N/A			N/A			67.5% VAT Compliance Rate; 65% Income Tax Compliance Rate.			67.5% VAT Compliance Rate; 65% Income Tax Compliance Rate		
3.1.2	Outcome	Revenue collected through enforcement efforts resulting from improved data mining	USD	By type of tax	Income tax \$100.2 million, VAT \$32 million	N/A	Na		N/A			N/A			N/A			Income Tax - \$180.36 million, VAT \$57.6 million			Income Tax - \$180.36 million, VAT \$57.6 million		
3.1.3	Outcome	Percentage of taxpayers satisfied with the tax and revenue authority	Satisfaction score index	Survey question and weight, taxpayer sex, age and geography	86.0%	N/A	Na		N/A			N/A			N/A			96.0%			96.0%		
3.2.1	Output	On-time filing and payment rate (voluntary tax compliance rate)	Percentage	by filing or payment and by type of tax	Na	N/A	Na		N/A			N/A			N/A			98.0%			98.0%		

USAID El Salvador Domestic Resource Mobilization Project

Indicator Information						CY17			CY18			CY19			CY20			CY21			Life of Project		
No.	Type	Indicator Name	Unit of Measure	Disaggregation	Baseline	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%
3.2.2	Output	Number of payments agreed to and accepted by taxpayers	Number	By type of tax	Na	N/A	Na		N/A			N/A			N/A			TBD			TBD		
3.2.3	Output	Monetary value of payments agreed to and accepted by taxpayers	USD	By type of tax	\$18.9 million in Fiscal Compliance, \$9.5 million in Tax Control, \$100.2 million in Income Tax and \$32 million in VAT	N/A	Na		N/A			N/A			N/A			\$30.24 million in Fiscal Compliance, \$15.2 Million in Tax Control, \$160.3 million in Income Tax and \$51.2 million in VAT			\$30.24 million in Fiscal Compliance, \$15.2 Million in Tax Control, \$160.3 million in Income Tax and \$51.2 million in VAT		
Component 4: Transparency and Public-Private Dialogue on Fiscal Policy Strengthened																							
4.1.1	Outcome	Open Budget Index Score	Score	N/A	53	N/A	45		N/A			57			N/A			68			68		
4.2.1	Output	Average monthly visitors to the MOF Fiscal Transparency Portal	Number	N/A	6,310	N/A	Na		7,700			9,200			11,900			12,620			12,620		
4.2.2	Output	Average monthly visitors to the Municipal Transparency Portal	Number	N/A	0%	N/A	0%		N/A			N/A			N/A			3,000			3,000		

USAID El Salvador Domestic Resource Mobilization Project

Indicator Information					CY17			CY18			CY19			CY20			CY21			Life of Project		
No.	Type	Indicator Name	Unit of Measure	Disaggregation	Baseline	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%		
4.2.3	Output	Percentage of municipalities hosting a fiscal transparency portal	Percentage	N/A	0%	N/A	0%		N/A			N/A			N/A			75.0%			75.0%	
4.2.4	Output	Number of cases annually reported in the Public Procurement Ombudsman Social Audit Tool	Number	N/A	0	N/A	N/A		N/A			N/A			20			40			40	
4.2.5	Output	Number of public-private dialogue events	Number	N/A	0	2	2	0%	2			2			2			2			10	
Cross-Cutting Indicators																						
C.1	Output	Number of person hours of training completed in fiscal policy and fiscal administration	Number	By subject matter and sex	0	10,000	18,191	82%	30,000			20,000			20,000			20,000			100,000	
C.2	Output	Number of core and socialized training modules developed	Number	By subject	0	4	10	150%	12	7		8			8			8			40	

Note: N/A stands for Not Applicable. Na stands for Not available.