

PARTNERSHIP FOR GROWTH
EL SALVADOR – UNITED STATES
Six Month Scorecard
November 2014 – May 2015



September 2015

PARTNERSHIP FOR GROWTH

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Overview

Constraint 1: Crime and Insecurity	Score May 2015
1. Strengthen Justice Sector Institutions	On Track
2. Improve Criminal Justice Procedures	On Track
3. Reduce Impact of Crime on Businesses	On Track
4. Reduce Impact of Crime on Commuters/Public Transportation	On Track
5. Remove Assets from Criminal Organizations	Behind Schedule
6. Strengthen El Salvador's Civil Service	Behind Schedule
7. Promote a National Dialogue to Improve Security	On Track
8. Assist At-Risk Youth Through Economic Opportunities	On Track
9. Strengthen the PNC	On Track
10. Improve Education Opportunities for Youth in High-Risk Municipalities	On Track
11. Prevent Crime & Violence in Key Municipalities and Support Reforms	On Track
12. Reduce Overcrowding in Prisons	Behind Schedule
13. Enhance the Security of the Prisons	On Track
14. Promote use of Extradition to Combat Crime	On Track
Constraint 2: Low Productivity in the Tradables Sector	
1. Establishment of a Growth Council	On Track
2. Reduce Firms' Cost to Improve Their Competitiveness	Behind Schedule
3. Strengthen Labor Force to Match Labor Market Demand	On Track
4. Raise (Net) Tax Revenue by 2015	On Track
5. Support a Strategy for Attracting & Promoting Foreign Direct Investment	Behind Schedule
6. Surmount Low Productivity in Tradables	On Track

Score			
Behind Schedule	On Track	Ahead of schedule	Completed

Constraint 1: Crime and Insecurity

<p>Goal 1-2: Professionalize and improve the effectiveness of justice sector institutions (procedures and practices) to increase their ability to combat crime and insecurity in El Salvador, as well as enhance the public perception of these government institutions.</p>	<p>On Track</p>
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The United States Government (USG) supported the Supreme Court of El Salvador in completing a study to expand an electronic notification system after its successful pilot in a Family Court. The electronic system improves efficiency and controls and eliminates security risks for Court employees who enter gang-controlled areas to deliver summons for court hearings. Once approved, this system will expand to the other chambers of the Supreme Court. The USG and Salvadoran counterparts jointly designed a Master’s Program for forensic medical experts. Once approved, El Salvador’s National University will offer the degree program. In addition, the GOES, with USG support, drafted a Strategic Plan for the Forensic Institute to increase case processing efficiency. Two joint investigative teams that include prosecutors, police, and forensic experts were formed in the municipalities of Chalchuapa and Ahuachapán in an effort to expand criminal investigative capacity outside of urban areas. The San Salvador, Santa Ana, and San Miguel courts installed an electronic bar code system that randomly assigns and distributes cases to judges to increase transparency in case assignments and efficiency in tracking cases. USG support helped inaugurate three new centers to assist victims of gender violence: in the Chalatenango Courts, which includes a special police unit; at the Public Defender’s Office in Ahuachapán; and at the Attorney General’s Office in Santa Ana. A joint effort between the municipality, the Attorney General’s Office, and the USG resulted in the establishment of a shelter for women victims of sexual violence in Sensuntepeque, selected because of the high rates of gender-based violence and retaliation against women who present complaints. Preliminary results from a study carried out in the San Salvador Court to measure the impact of the jointly-developed Victims’ Assistance Centers in supporting victims’ rights indicate considerable reduction of impunity for these types of crimes. Of the 388 cases received during a three-month period, 315 were categorized as domestic violence, and a case was opened for each. Of those, 125 cases were brought to trial and concluded in that same period, and in 86 percent of those cases the aggressors were convicted. In another set of 73 cases categorized as “serious crimes” because they included injuries and rape, 24 percent or 17 cases have already been concluded and nine defendants were convicted, three acquitted, and five reached resolution with the victim through alternative dispute mechanisms. In addition, the support of the Victims’ Assistance Unit helped to issue restraining orders to protect victims in a day or less.

<p>Goal 3: Reduce the impact of organized crime on small and medium businesses, potentially the most dynamic sector of the economy, whose contribution to growth is key to the economic well-being of El Salvador.</p>	<p>On Track</p>
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During this reporting period, the Government of El Salvador (GOES) established and the USG assisted in equipping a new Business Crimes Task Force (BCTF) safe house to facilitate on-going investigative

operations in order to combat crimes against small and medium businesses. The BCTF continues to experience outstanding investigative and prosecutorial progress. Successes include ten telephone line intercepts authorized and approved, 39 arrest warrants issued, 36 defendants arrested, 14 separate cases with initial charges filed, 21 separate initial court appearances and bail hearings, and three multi-defendant cases where final charges were filed in preparation for trial, which also resulted in the seizure of dozens of firearms and telephones and \$25,000 in cash. During the period, there were five multi-defendant preliminary hearings, as well as 13 defendants tried before the court, convicted as charged, and sentenced with between five to ten years of incarceration, with no dismissals and no acquittals. In short, the 100% conviction rate for BCTF-facilitated cases during this reporting period is clear and strong evidence that the task force model is working and that training and mentoring provided by the USG has proven effective.

<p>Goal 4: Facilitate economic growth by ensuring El Salvador’s labor force is protected from crime while transiting to and from work, and ensuring that the public transportation service providers serving the labor force are protected from crime.</p>	<p>On Track</p>
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During this reporting period, the Transit Crimes Task Force (TCTF) conducted its first law enforcement operation stemming from an investigation initiated last year that affected public transportation on six different bus routes from San Salvador to Usulután. Approximately 360 members of the National Civil Police (PNC) from the Anti-Gang Unit and the Anti-Narcotics Division, as well as the Attorney General’s Office, supported the operation. The TCTF executed 76 arrest warrants and 45 search warrants on charges including extortion, fraud, homicide, money laundering, and organized crime. The operation resulted in 19 arrests, as well as 27 arrest warrants served to MS-13 gang leaders within prisons. During the operation the TCTF also seized drugs, six weapons, and a significant amount of cash. This established investigative unit has demonstrated its effectiveness as a task force in combating crime on public transportation as well as GOES political will to combat such crimes. The temporary co-location of task force with the Anti-Gang Unit, expanding both personnel and access to officers with investigative experience, helps explain recent investigative advances by the TCTF. A permanent safe house has since been secured, where the unit will be under new supervision to focus on investigative efforts. Also during this reporting period the USG and GOES enhanced cooperation on possible other law enforcement strategies to combat crimes involving public transport. As a result, separately from the TCTF, the Anti-Gang Unit established a team of approximately 400 PNC officers that conducts enhanced enforcement operations in patrols of public transportation routes and, in rural areas, supplemental patrols to improve public security. To increase transparency, the Vice Ministry of Transportation (VMT), with support from the USG, trained employees on file management to improve implementation of the Access to Public Information Law. The USG-funded “Transparency House” at the VMT has received 327 information requests to date, 98% of them fulfilled.

Goal 5: Remove assets from criminal organizations and fund and support security programs through the use of seized property and assets.

Behind Schedule

This goal remains behind schedule as a permanent Asset Forfeiture (AF) Chamber has not been established to hear cases that have already gone through appeal. AF legislation stipulates that the Chamber should have been established by June 2014. However, at the moment, the First Criminal Chamber has legal jurisdiction to hear appeals and has already heard five cases, resolving each of them. During this period, the USG continued joint training with judges, prosecutors, and National Police to assist in the development of the national AF program. The trainings focused on real cases, including over a dozen current AF cases launched by the Attorney General’s AF team representing approximately \$1.5 million in assets already seized. During this period, the Asset Forfeiture Administration Council (CONAB) received training as well. CONAB was formally set up, and seized money and assets were placed under its administration, including over \$500,000.00 (of which more than \$47,000.00 have been definitively forfeited), a luxury vehicle, two other vehicles, and 27 seized real estate properties from over 15 tried cases. It is expected that during the next period, more real estate properties will be seized for their administration and safe keeping. The Attorney General’s AF Unit has identified other cases and may file them before the Specialized Assets Forfeiture Law Court.

Goal 6: Professionalize El Salvador’s civil service and enhance public confidence in the government.

Behind Schedule

This goal remains behind schedule since a draft bill proposing a new civil service law has been under review by the GOES for 18 months and has not been submitted to the Legislative Assembly for its review and approval. Separately, the GOES Technical and Planning Secretariat began implementing a pilot project on human talent at the Ministry of Public Works, through which a total of 489 position descriptions have been reviewed and updated. In addition, the GOES has included in its five-year strategic plan the implementation and professionalization of a merit-based civil service system, including creation of a National Training Institute for Public Employees. Since the Access to Public Information Law entered into effect, the GOES has received 49,563 information requests, 92% of which have been fulfilled within an average of 4.83 days. The “Open Government” website, which now hosts 82,594 documents with mandatory public information from 175 public institutions, has received 1,045,412 visits. The GOES also reports 2,063,844 visits to the “Useful Information” website, which hosts 52 databases of public information. The USG continued supporting the Secretary for Transparency through the implementation of its plan to increase citizen participation and government accountability, including dissemination activities for International Anti-Corruption Day and establishment of a nationwide baseline of civil society organizations. The USG provided technical assistance to the Institute of Access to Public Information (IAIP) on personal data protection, the development of a virtual training course for information officers, and the creation of records and filing guidelines for municipalities. The GOES provided a 62% budget increase for calendar year 2015 for IAIP operations.

Goal 7: Promote a national dialogue on actions to improve citizen security in El Salvador. Actively involve all sectors of national life, including the private sector, the media, nongovernmental organizations, churches, etc., in efforts to solve the problem of insecurity.	On Track
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The USG and GOES continue promoting dialogue on citizen security in El Salvador. The President and Minister of Justice and Public Security (MJSP) continue to meet with various sectors of society to promote a dialogue and seek national consensus on crime prevention and public security, in particular through the activities of the National Council for Citizen Security (or *Consejo de Seguridad Ciudadana y Convivencia*). The GOES and USG carried out six high-profile public events related to security and violence prevention projects, as well as other public events officiated by GOES, municipal, and USG representatives. These included a Civil Society Youth Forum on the third anniversary of PFG, the ribbon-cutting of the renovated Mariona Prison Bakery under the “Yo Cambio” program, the presentation of the Brazilian Police Pacification Units (UPP) strategy to the Security Council, the dedication of the Agent Nelson Panameño sports facility in Usulután, and the presentation of Vanderbilt University’s Study of the Impact of Community Violence Prevention Programs. The USG and GOES continue to publish articles on PFG and security themes, and maintain online resources in Spanish and English to provide public access to a wide range of information about PFG activities, including its security goals.

Goal 8: Assist at-risk youth between ages 16-25 through efforts to afford them economic opportunities and engage them in productive activities.	On Track
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The USG and the GOES, in an effort to decrease violence and improve the quality of life in priority municipalities, are designing a new program to increase access to vocational training for at-risk-youth in order to create a more highly qualified and technologically skilled workforce. While the new program has not yet been launched, during this reporting period, the USG supported vocational training activities for 1,151 youth in mechanics, computer training, restaurant hospitality, and client services in the municipalities of San Salvador, Ciudad Arce, San Martin, San Vicente, Cojutepeque, San Pedro Perulapan, and Zacatecoluca. As a result, approximately 100 of these youth currently have already received job placements. Vocational training programs vary from four months up to three years for youth entering into formal training in computer systems management or English. Youth also receive job readiness and life skills training to become more competitive when looking for employment. On April 10, the USG also announced the availability of approximately \$13 million for one or more cooperative agreements to fund a technical assistance project or projects in El Salvador and Honduras with the goals of improving employment outcomes among at-risk youth and preventing their engagement in the worst forms of child labor. The Department of Labor issued a Request for Applications for the new program to “Promote Youth Employment through Employer Partnerships in El Salvador.” The project will target youth ages 14 to 17 who are susceptible to hazardous and exploitative working conditions, primarily targeting youth residing in communities with high levels of crime and violence.

<p>Goal 9: Support the PNC to strengthen its service orientation as a means for violence prevention and effective crime control with a focus on building leadership skills within the police force and on improved relationships between police and communities.</p>	<p>On Track</p>
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During this reporting period, 21 additional PNC Officers received certifications as Gang Resistance Education and Training (GREAT) instructors. In addition, 119 officers participated in USG-sponsored training in Central American-focused community policing basic (57) and advanced (62) curriculums. Thirty-two PNC officers acquired skills in seven tactical/operational areas through trainings focused on effective responses to gang violence targeting police. This group is now preparing lesson plans and schedules to begin the replication process nationwide. The USG began supporting the Apopa PNC Delegation through the provision of training, office furniture, and computer equipment. The next step includes a two-day basic training for all personnel and the expansion of the GREAT and Police Athletic Leagues prevention programs. Four Police Athletic League youth tournaments took place in Santa Ana and Herradura de la Paz, where over 900 at-risk youth participated in swimming, soccer, and gymnastics/cheerleading competitions. USG-supported community policing programs also expanded to the municipalities of San Juan Opico and Cuscatancingo. These joint efforts provided training to police personnel in the basic community policing course and helped establish coordination mechanisms with the local authorities.

<p>Goal 10: Improve educational opportunities for in-school and out-of-school youth in targeted high risk municipalities with high crime rates. The USG is dedicated to supporting the Ministry of Education in implementation of their “Social Education Plan” and the GOES’ “Five Year Plan” by focusing efforts on the four areas of concern described in the plan.</p>	<p>On Track</p>
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The Ministry of Education continues to advance the Full Time Inclusive School (SI-EITP) approach. This model promotes community participation, inclusion, and creative learning methodologies and integrates available resources in the community to enhance education quality. As a result of joint collaboration between the Ministry of Education (MINED), World Bank, USG, and the Italian Agency, the model has expanded to 1,620 schools in 62 municipalities, reaching over 450,000 students, 14,000 teachers, and 1,600 principals. During this period, the GOES and the World Bank implemented an extensive orientation and training process for teachers to contribute to the expansion of the SI-EITP model. This included the development of 30 experts who have been trained in the first out of eight modules and will be responsible for the transmission of these skills to teachers. In addition, MINED trained 1,275 specialized teachers’ trainers in math, language, social studies, physics, chemistry, and biology. In order to ensure school governance, 104 coordinating organizations were established to provide quality school management and improve pedagogy in the implementation of SI-EITP. The USG’s Education for Children and Youth activity continues to provide services to 370,000 students (increased from 184,000 last period) in 668 schools (increased from 410 schools) and provides continuous training to 2,000 teachers (increased from 1264), 410 principals, and 150 MINED

officers in new teaching methodologies and tools to implement the SI-EITP model. The activity promoted safe learning environments with the establishment of “Coexistence Committees” in the same 668 schools. The USG expanded its crime prevention activities to promote safe schools that reached more than 100,000 students and also expanded activities for nearly 9,000 out-of-school youth to encourage them to return to formal education. The GOES also signed a new agreement with the Millennium Challenge Corporation (MCC)/FOMILENIO to expand the SI-EITP model to 360 schools in 45 integrated systems. MCC and MINED selected the schools that will benefit as well as control groups to measure impact. In coordination with Departmental authorities and school principals, eight schools are participating in developing a work plan to identify students at risk of dropping out of lower secondary level schools. Under the Adopt-a-School program, a public private partnership to improve quality of education was extended to June 2017 with \$2.3 million of additional funding, and 11 computer centers were established benefitting 8,000 students.

<p>Goal 11: Prevent crime and violence in key municipalities of El Salvador and support reforms, as outlined on components 2 (Social Prevention of Violence and Crime) and 5 (Institutional and Legal Reform) of the National Policy for Justice, Public Safety and Violence Prevention.</p>	<p>On Track</p>
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The GOES established the National Council for Citizen Security (NCCS), comprised of representatives from different sectors of the country, to provide input and specific actions on citizen security. The NCCS developed the “Plan for a Secure El Salvador” with 124 lines of actions in the areas of prevention, law enforcement, rehabilitation and reinsertion, assistance and protection to victims, and institutional strengthening. The GOES selected 10 priority municipalities in which to carry out a geographically-focused security strategy, which the USG is working to support through community-based efforts. The USG participated as an observer to the NCCS, providing input in working group discussions, including the prevention working group. The USG also presented secondary prevention models to the NCCS, including a U.S. expert from Los Angeles and government representatives from Rio de Janeiro, Brazil. The draft National Violence Prevention Plan (2015-2019), an inter-institutional plan to coordinate violence prevention efforts that supports the National Violence Prevention Strategy, is at the final review stage by the Sub-Cabinet of Prevention. To date, the GOES has created 120 Municipal Violence Prevention Committees (MVPC) and provided 124 violence prevention advisory sessions to community organizations, reaching 5,801 individuals in different municipalities. The GOES continued implementation of the Strong Family Program through training workshops on “family coexistence” reaching 204 participants and through the promotion of values and conflict resolution for 220 youth. The USG continued to assist the GOES in the implementation of 15 Municipal Prevention Plans in high-risk municipalities through seven non-governmental organizations focusing on areas such as alternative dispute resolution, improvement of physical spaces, municipal communications strengthening, vocational training for youth, and youth clubs. During this period, about 7,280 at-risk children and youth attended the 77 Outreach Centers established in 13 municipalities to learn skills and make positive use of their time. The USG continued to strengthen nine municipal prevention observatories to gather and analyze data to inform municipal policy and initiated operations for the establishment of 13 additional observatories. Private sector engagement on violence prevention has been notable through public

private partnerships with nine private entities that contributed \$3.9 million to programs and projects. During this rating period, the USG began supporting 14 communities in two additional municipalities (Puerto de La Libertad and Sonsonate), which initiated with the carrying out of comprehensive violence diagnostics to determine future municipal, GOES, and USG crime prevention activities. The municipalities of San Martín and Ciudad Arce continued to implement sports activities with approximately 725 at-risk youth.

Goal 12: Reduce overcrowding in prisons, thereby allowing the Salvadoran prison system to safely, securely, and humanely manage an increasing population.	Behind Schedule
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This goal remains behind schedule given the lack of systemic implementation of a prisoner classification system during the reporting period. A prisoner classification system would allow authorities to process new prisoners by the gravity of the crime and review the sentences of current inmates, to include possible sentence adjustments, to reduce significant overcrowding throughout the prison system. A group of 19 case management staff received training in the U.S. in order to provide training to others on the classification of inmates. This staff has begun the process of inmate classification; however, changes in sentence adjustment must also be coordinated with judges charged with sentencing oversight. Further implementation of the classification system should improve once planned upgrades to prison facilities are underway. On October 3, 2013, the Legislative Assembly approved a \$71 million loan from the Central American Bank for Economic Integration BCIE (along with a GOES contribution of over \$8 million) to strengthen and expand the prison system including new prisons, expansion of the prison “farms” program (or minimum security facilities with work training programs), and electronic control items such as ankle bracelets to allow for conditional release. To date, none of the programs described above have been fully implemented by the GOES. USG efforts to assist in the rehabilitation of inmates have not advanced during this rating period. One thousand inmates are currently participating in the “Yo Cambio” program. However, the Penitentiary Law, which allows two days to be removed from a participant’s prison sentence for every day worked, has not been applied evenly, limiting the program’s effectiveness.

Goal 13: Enhance the security of the prisons for their improvement as correctional facilities, prevent them from perpetuating and magnifying criminal activity in El Salvador, and help former offenders become full, contributing members of society.	On Track
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In an effort to interrupt criminal gang activities from inside the prison system, the GOES transported 55 high-ranking gang leaders to the Zacatecoluca prison, where they are currently housed in maximum security cells remodeled and reinforced with USG support. At the same time, police and prison officials also moved approximately 2,600 inmates to new prisons in order to limit prisoner contact with networks built around the prison in the local community that had allowed some to continue to commit crimes from inside prison. Transfers to eliminate the conduct of crimes from within the prison walls are important to undermining criminal networks and should be reinforced in the coming period. A virtual

visitation system has been established to reduce the introduction of contraband into prisons, and high-risk inmates should continue to only receive virtual visits. A reform to ensure that phone signals around prisons do not exceed the capacity levels defined by the Superintendent of Electricity and Telecommunications (SIGET) went into effect May 1, 2015. Efforts to reinforce other prison cells with cell-phone blockers for high-risk maximum-security inmates have not had the desired effect, and illicit activities continue from within the prison system. Raids at prisons continue to recover contraband including hundreds of cell phones, laptop computers, plasma screen televisions, weapons, and drugs. Turning that evidence over to the Attorney General to develop prosecutions remains crucial.

Goal 14: Promote the use of extraditions as a deterrent for crime and a means to reinforce national security.	On Track
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In December 2014, Juan Castillo Cruz was extradited to the United States. In March, 2015 Luis Melendez Cordero was arrested pursuant to a Provisional Arrest Warrant and is now pending Extradition to the United States. This next extraction, if approved, will represent the fourth extradition in 16 months. Prior to 2013, there had been only one extradition of a Salvadoran citizen to the United States since the signing of an Extradition Treaty in 1911. The USG has developed a draft standard procedure to help systemize the extradition process for both the USG and the GOES. However, for extradition to be an effective crime reduction tool in the long term, development of GOES procedures and strategies regarding the extradition process must be enhanced and further systematized. The appointment of a GOES point of contact for this goal would be helpful in reaching the goal of standardizing the extradition process.

Constraint 2: Low Productivity in the Tradables Sector

Goal 1: Facilitate the establishment of a Growth Council to promote an environment of trust and improve the business climate and investments in activities or sectors regarded as strategic.	On Track
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The Growth Council continues to meet regularly to collaborate with the GOES and use its networking resources to facilitate constructive public-private sector relationships. A Growth Council member now sits on the Board of Directors of Fomilenio II, which oversaw the transparent hiring of the Fomilenio II staff to implement the second MCC Compact. In its work to improve the business climate, the GOES successfully encouraged the Legislature to approve the Judicial Stability law in December 2014, which will help protect investors from arbitrary changes in tax codes and other relevant laws and regulations. The USG facilitated academic linkages in March by bringing 20 American higher education institutions to San Salvador and Santa Ana and orchestrating a Memorandum of Understanding between Don Bosco University and the Indian Hills Community College for faculty and student exchanges in aeronautics programs (Also reported in Goal Three). Additionally, USG and private sector organizations supported the launch of various technical research projects for cacao and coffee rehabilitation/diversification initiatives. Goal One managers note that the GOES has yet to inaugurate a major public-private partnership. Potential candidate projects include the international airport and the La Union Port. El Salvador’s rank in the Doing Business report remained the same as the last scorecard (109 of 189 countries in the 2014-2015 report, down from 106 of 189 countries in the adjusted 2013-2014 report), and according to FUSADES, private sector business climate perception improved slightly to a 44.0 percent unfavorable rating from 44.8 percent, and to a 10.0 percent favorable rating from 7.1 percent.

Goal 2: Reduce firms’ costs due to infrastructure to improve their competitiveness.	Behind Schedule
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While the Master Plan, as prepared by Kimley-Horn, for El Salvador’s international airport (AIES-MOARG) remains on hold, the port authority CEPA pursued a number of short-term airport enhancements, including the initiation of a \$2.9 million food court project and a \$1.7 million immigration and customs area renovation. It also installed new chairs in the waiting areas at three gates, new flooring in high traffic areas, and a video surveillance system. In addition, CEPA commenced the solicitation to acquire cargo terminal equipment and to build out commercial space to feature typical Salvadoran products in the passenger terminal. As part of the effort to implement the AIES-MOARG expansion, CEPA initiated a study to finance and execute the Master Plan’s first phase. Although CEPA approved a related work plan, the USG suspended the United States Treasury Office of Technical Assistance (OTA) support, pending a GOES decision on financing of the Master Plan. In December 2014, the “Basis of the CEPA Port Policy” was approved to guide the development of the Acajutla and La Union Ports and adjacent areas. The deadline for bids from the prequalified companies for the concession of the La Union Port was postponed to May 2015. CEPA completed a solicitation plan and prequalified companies for the bid to dredge the La Union channel. The USG sponsored a technical evaluation of the national power grid’s

ability to take on energy from renewable power sources, as well as a study for the National Energy Council on minimum energy standards for home and commercial cooling systems. The USG also completed a study on how to improve efficiency of the public lighting system of Zacatecoluca. Since there is still no decision communicated on how to execute and finance the AIES-MOARG Master Plan and no concession of the La Union Port, this goal remains behind schedule. Investment in infrastructure as a percentage of GDP decreased to 5.2 percent from 6.1. El Salvador’s ranking in the Global Competitiveness Infrastructure Index remains the same as previously reported; 57 of 144 countries in the 2014-15 report, an improvement from 72 of 148 countries in the 2013-14 report.

<p>Goal 3: Improve the quality of the education system in order to create a more highly qualified and technologically skilled labor force. The Governments of El Salvador and the United States will join forces to help ensure that education of the labor supply matches labor market demand.</p>	<p>On Track</p>
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During this period, the USG Higher Education for Economic Growth project in partnership with public and private sector stakeholders identified five sectors for the creation of industry clusters: Information and Communication Technologies (ICT), Energy, Light Manufacturing, Food Processing, and Logistics. The project launched the ICT cluster with six private universities and 50 ICT companies. The USG organized the visit of 20 U.S. universities to El Salvador to promote partnerships with Salvadoran higher education institutions. Don Bosco University and Indian Hills Community College signed a memorandum of understanding to facilitate faculty and student exchanges in aircraft maintenance. Additional results from the USG assistance include: 674 English teachers received training in webinars and e-Teacher programs; 215 students continued English Access Micro-scholarships; 400 high school students continued receiving English language instruction through the USG’s “Empower Program” at University of El Salvador; 44 students and young professionals traveled to the U.S. on exchange programs; and 342 Salvadorans participated in 12 science and technology workshops in San Salvador. The GOES through the Salvadoran Institute for Professional Training (INSAFORP) and the Ministry of Labor and Social Welfare initiated two studies regarding training services and private sector demand for job skills, respectively. INSAFORP inaugurated the Center for Excellence in the Plastics Industry, where 2,500 young people will receive training as they search for their first job. The first group of 150 students graduated from the GOES-sponsored National English for Work Program. This program was strengthened by the recruitment of 12 academies that will teach English to 12,000 entering students. The GOES launched the Continuous Training Program, which will target 186,000 employees for training in business management, sales and marketing, international commerce, production and quality, construction, mechatronics, energy systems, computing, and English. As previously reported, the Global Competitiveness Index for 2014-15 ranked El Salvador 94 out of 144 countries on the “Higher Education and Training” sub-index (an improvement from 100 out of 148 in 2013-14) and 125 out of 144 countries in 2014-2015 in the “Labor Market Efficiency” sub-index (a drop from 121 out of 148 in 2013-2014).

<p>Goal 4: Raise (net) tax revenues to 16 percent of GDP by 2015 and use public resources efficiently and transparently. These goals are also included in the implementation of the fiscal pact, which is an integral part of the PQD priority areas, as defined by the Economic and Social Cabinet.</p>	<p>On Track</p>
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The Ministry of Finance (MOF) continued to improve its taxpayer databases to reduce tax evasion and avoidance. Actions during this period included implementation of recommendations designed to strengthen tax administration and improve tax controls and the development of a proposal for tax reform. In addition, the National Financial Administration System (SAFI II) system and the electronic public procurement system (COMPRASAL II) improved GOES transparency and efficiency. The deployment of the GOES-wide annual procurement plan module also included intensive training to GOES institutions and municipalities. As part of the COMPRASAL II development, MOF procurement staff attended a program in Chile to learn about the Chilean experience in the implementation of an e-procurement system. The GOES also received training on the use of the annual acquisitions plan and hiring for 604 COMPRASAL II module officials, 313 of whom were women. Work continued in the development of the transparency trilateral initiative by engaging with the Undersecretary for Territorial Development and Decentralization (UTDD) and the MOF in the development of the fiscal transparency portal data-loading for the municipalities. The International Trilateral Initiative on Fiscal Transparency between the GOES, USG, and Brazil culminated in the launch of the enhanced fiscal transparency portal at the MOF, which now receives visits by an average of over 10,000 users per month, and was highlighted as an international best practice at anti-corruption conferences in Brazil and Paris in December. The start of the SAFI II software development with the treasury subsystem also constituted an important achievement, as well as the budget formulation. USG assistance is helping develop the treasury module, while the World Bank and the MOF are developing the budget formulation module. The improvement of legal and accounting procedures to establish a results-oriented budget continued as planned, and the MOF supported the modernization of the public expenditure system, including adoption of International Public Sector Accounting Standards (IPSAS) within the SAFI II and the development of budget programs for the ministries of economy, health, and agriculture to prepare for the implementation of the new budget system. The percentage of net tax collected relative to GDP decreased to 14.9 percent from 15.4 percent. There was no update in El Salvador’s score in the Open Budget Index, which remained at 43 out of 100 ranked countries.

<p>Goal 5: Support a strategy for attracting and promoting FDI and making El Salvador a more attractive place for foreign investment. The measures described are aimed at streamlining the establishment of operations for potential investors and simultaneously focusing on scaling up efforts to promote and attract investments.</p>	<p>Behind Schedule</p>
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During this period PROESA incorporated a public-private board of directors, strengthened its Policy Analysis and Market Intelligence Unit, released five market studies for investors, and created a regional investment promotion group. With the Foreign Ministry, PROESA launched its Economic Counselor for

Commerce and Tourism program with ten counselors located in eight countries; and recently awarded a contract to develop the investment attraction program for Salvadorans abroad. COEXPORT and PROESA developed an export promotion plan with a goal of increasing exports by \$250 million by December 2015. With Inter-American Development Bank (IDB) support, PROESA is facilitating the development of a country brand to be launched in 2015. The institution is also developing an investment promotion work plan with the textile industry association, CAMTEX. MINEC is supporting CIFACIL— an initiative to facilitate trade; and with MCC’s support, FOMILENIO II is in the preliminary stages of creating a new regulatory improvement institution with the Technical and Planning Secretary’s office. USAID expanded the number of Municipal Units for Enterprise Development (EMPRE) to twenty, strengthened the Access to Public Information Units in partner municipalities, and organized a national forum on public-private dialogue for local economic development. The International Finance Corporation (IFC) presented its Subnational Doing Business reports for Santa Ana, San Salvador, and Soyapango, focusing on opening a business, construction permitting, registering property, and cross-border trade. IFC also presented its report on resolving bankruptcy and a legislative guide for the draft Bankruptcy and Entrepreneurship Law. While PROESA’s institutional work progresses, the regulations for the PROESA and Public-Private Partnership (PPP) laws are not yet in force – approval is anticipated in 2015. The investor “one-stop shop” has not progressed. The Metapan Wind Farm value for money study with CEL was cancelled, and it was identified that private renewable energy investors are developing that area. Foreign direct investment inflows as a percentage of GDP reached 1.09 percent, an increase from 0.6 percent in 2013. El Salvador’s position on Future Brand’s Country Brand Index remained the same (107 of 118 countries in 2012-2013) as a new report has not been issued.

<p>Goal 6: Surmount low productivity of tradables by transforming factors of production of the tradables sector through the implementation of strategies to improve innovation and quality, and a focus on the international market.</p>	<p>On Track</p>
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The GOES Export Development Fund (FONDEPRO) awarded \$4.2 million in non-reimbursable funds to finance the business initiatives of 204 small and medium enterprises (SMEs) in 2014, and \$500,000 to support 39 SMEs in the first quarter of 2015. The GOES increased FONDEPRO’s 2015 budget to \$5.1 million. The USG assisted PROESA and COEXPORT to help 50 SMEs participate in international trade fairs in Los Angeles, Mexico, Guatemala, and Panama. To further promote exports, the GOES deployed ten economic advisors in various countries, with an additional three to be deployed in May 2015 (also reported in Goal Five). PROESA finalized its “Export Step by Step” and “Export More” programs, reaching 70 SMEs in 2014 with \$13 million in anticipated exports. The USG and GOES helped create the Association of Small Business Development Centers (SBDCs) to strengthen the network of the 12 SBDCs operating in the country. In addition, the first SBDC Conference was held with 150 participants and five U.S. speakers. In 2014, the SBDCs reported assistance to 3,200 SMEs that generated \$19 million in new sales and created 5,000 new jobs. The USG and the Salvadoran Chamber of Commerce assisted 11 SMEs in the pharmaceutical sector to implement innovation activities leading to product development and business model improvements. Another six SMEs in the sector received assistance to participate in a trade mission to the Dominican Republic to expand exports. The USG and ITCA-FEPADE helped 20 SMEs in the metalwork sector improve the quality of their products and processes, and roundtables were

organized to link the 20 SMEs to over 50 large potential buyers. The USG, the GOES, and private sector organizations helped another 25 food processing SMEs improve food safety, standardize processes, implement good manufacturing practices, develop new products, and obtain health certifications. The Inter-American Foundation approved eight new sub-grants for microbusinesses and Salvadoran grassroots producer associations. As previously reported, El Salvador ranked 37 of 144 countries in the 2014-2015 Global Competitiveness Business Sophistication Index, an improvement of 23 positions since the previous publication. The number of export companies with sales over \$500,000 increased to 402 firms as of April 2015 from the 381 reported in November 2014.