



Fiscal Reform in Support of Trade Liberalization Project

Fourth Quarterly Progress Report:

April – June 2004

Task Order No. 03 under SEGIR: EP, Contract No. PCE-I-00-00-00015-00

Fiscal Reform in Support of Trade Liberalization Project
Third Quarterly Progress Report:
January – March 2004

Introduction

This is the fourth quarterly progress report. This report covers the period April to June 2004.

This past quarter has been the busiest since project inception. Three specific items have kept the project team quite occupied, the biggest, of course, was the five-day Economic Growth Workshop, hosted by the project from June 28 to July 2, and which included 315 participants. The Guatemala buy-in included work on developing the new tax benchmarking study, initiation of the legal study for taxation, and the initial work on public expenditure rationalization. The project also lead a team of Indian Ministry of Finance counterparts on an exchange visit to the US, Canada, and Russia. In addition, preparations for the upcoming (July) initiation of the Vietnam buy-in and the Angola buy-in were undertaken during this quarter. Also, website development and maintenance continue apace and new documents continue to be posted to our fiscal webLibrary. Work continued apace on three research projects, as well as on the drafting of the USAID experiences in fiscal reform assistance around the world.

The next section of this report discusses project progress according to the activity headings included in the detailed project workplan. This is followed by project financial information. Finally, this report includes a Tracking Gantt Chart that compares Project progress to the baseline planned activities.

Progress reported by activity heading

Fiscal Website

The Fiscal Reform in Support of Trade Liberalization Project Website is complete and up and running. We have drafted a new page for buy-ins that should better showcase the work we are doing in these countries and to provide users with more direct information for accessing buy-in assistance from the project. We have also developed a new research page which showcases project-funded studies and summarizes research to be published in the future.

The website is being maintained on a monthly basis, with modifications to content, updates to the "in the news section" and new materials for the WebLibrary being uploaded.

We have made progress in bringing the website to more attention on the internet. This included, among other things, greater outreach by informing more people of its existence and improvements in the metatags. In the previous quarter, a google search for 'fiscal reform in support of trade liberalization' only listed the project website at item number 23.

Today, the same search lists our website in the number 3 position, while the first 2 are the project's workplan on dec.org and reference to the project on dai.com.

The Project Team has been keeping track of website hits since October 1, 2003. A brief summary of the website hits for the reporting period follows:

Statistics Hits	Q4:03	Q1:04	Q2:04
Entire Site (Successful)	1,292	3,640	12,646
Average Per Day	14	40	138
Home Page	92	185	381
Page Views			
Page Views (Impressions)	261	943	2,138
Average Per Day	2	10	30
Document Views	261	943	2,133
Visitor Sessions			
Visitor Sessions	107	484	2,792
Average Per Day	1	5	30
Average Visitor Session Length	4:58	7:28	10:40
International Visitor Sessions	10.28%	23.34%	16.04%
Visitor Sessions of Unknown Origin	29.90%	33.47%	43.44%
Visitor Sessions from United States	59.81%	43.18%	40.61%
Visitors Unique Visitors	42	314	1,714
Visitors Who Visited Once	17	267	1,441
Visitors Who Visited More Than Once	25	47	273

This table shows a ten-fold increase in average daily use of the website since the final quarter of 2003, and a near quadrupling in website use compared to first quarter of this year. Not only did the number of visitors to the site increase in this proportion, the average amount of time spent on the site increased also, from 5 minutes at the end of 2003, to 7 ½ minutes in the first quarter of this year, to almost 11 minutes per session in this latest quarter.

The webLibrary has become a very important contributor to the public finance community of practice. For instance, 257 persons have downloaded the “Guatemala: Contradicciones” document, another 138 have downloaded a Customs reform paper by Antonio Meseguer, and another 130 have downloaded our paper on tax reform in Nicaragua.

This reporting of webLibrary downloads greatly understates the importance of this feature of our website because our tracking system is unable to track the number of times our webLibrary directs users to documents on other websites that are not located on our server. For instance, the webLibrary contains a great number of links to documents on the IMF or World Bank servers, rather than locating them on DAI's server, since this does not

require permission from these organizations. We must assume that there are many hits on these linked documents, but we are unable to track these hits.

Applied Research Agenda

All four research projects have initiated. These are: Anticorruption and Fiscal Reform, led by Jorge Martinez; Trade Liberalization and Fiscal Adjustment, led by Joe Pelzman; Evaluation of Semi-Autonomous Revenue Authorities, Art Mann; and, USAID Success Stories in Fiscal Reform Assistance, Sam Skogstad. In addition, Mark Gallagher's research paper on assessing tax systems was completed and posted to the research page of the website. Gallagher has been invited to The Academy of Central America to hold a conference based on this research.

Two of the tax reform case studies, those on Jamaica and El Salvador, by Skogstad and Gallagher, respectively, were presented at the June/July Economic Growth Workshop. The findings of the Anticorruption and Fiscal Reform paper were presented by Dr. Jamie Boex at the Economic Growth Workshop.

There have been delays in completing the research papers. The Mann study of semi-autonomous revenue authorities was delayed first because Dr. Mann came down with meningitis while traveling to Africa, and then because other work interfered with his work schedule. Mann's first draft should be ready for review in July.

The Georgia State paper on Anticorruption and Fiscal Reform was submitted to the COP, who also provided a copy to the Activity Manager, in draft form the last week of June. This is now under review and should be finalized and posted in August.

The Pelzman empirical study of fiscal and trade reform was recently submitted in draft and is now under review. It is hoped that this can be completed and posted by August.

First annual workshop

From June 28-July 2 2004, USAID convened its Economic Growth Officers' Conference at the Jurys Hotel in Washington, D.C. with the support of the Fiscal Reform Project. Initial plans to hold a two-day fiscal reform workshop evolved into this weeklong event, which benefited from skillful coordination between the Fiscal Reform Project and staff from USAID's EGAT Bureau.

The conference, "Promoting Economic Growth in a New Era", was the first such conference held since EG Officers met in Annapolis in 1997. Over five days, more than 300 participants including representatives from USAID/W and overseas missions, USAID partners, the IMF, World Bank, IADB and an assortment of US Government agencies and NGOs heard and discussed presentations from leading economists and development practitioners on major development challenges from failed states, corruption and fiscal reform to HIV/AIDS, agriculture policy, economic integration, and pro-poor growth.

Among notable presentations, Carol Peasley, USAID's Chief Counselor, outlined USAID's priorities in the economic growth realm; Ambassador Randall Tobias, the U.S. Government's Global AIDS Coordinator, addressed the devastating effects of HIV/AIDS on growth; and renowned agriculture economist John Mellor presented findings on the links between rural investments, growth and poverty reduction. From DAI, Mark Gallagher (Fiscal Reform Project) led a session on lessons learned from designing and implementing successful tax reform programs; and Steve Parker, Chief of Party for the STAR-Vietnam Project, delivered two addresses, one on the work he leads in Vietnam and the other on managing the risks of trade liberalization.

DAI's Molly McKnight and Steve Rozner (Fiscal Reform Project) led the planning and organization of the event, with tremendous support from DAI staff Susan Powers, Isabel Spake, Courtney Fede, Bethany Bluett, Kaitlin Shilling, Elizabeth Holt, Maya Parada, and Tim Podkul. In addition, Cynthia Canelas and Erika Dougherty worked tirelessly to design and manage the conference website (<http://www.econgrowth2004.net>), which features presentations, background literature, and proceedings summaries as well as a photo gallery with snapshots from the event.

The website was useful because it was the main source of information for USAID officers and others as to the workshop's purpose, agenda, speakers, and, perhaps most importantly, participant registration. Indeed, from the date the website went public up to June 30, there had been over 60,000 hits on the website, averaging 702 hits per day.

USAID issued an increase in funding to the Fiscal Reform task order, via letter of authorization, to enable the project to produce the entire five-day Economic Growth Workshop.

First Annual Training in Fiscal/Trade Reform

The training course was held at Georgia State University facilities in Atlanta, Georgia and included 17 USAID participants. The training covered overall fiscal policy, taxation, fiscal architecture, expenditure management, and fiscal decentralization. Sessions were presented by a number of GSU staff, including Roy Bahl, James Alm, Sally Wallace, Mark Rider and Jamie Boex, as well as invited specialists Sam Skogstad and A. Premchand. Aside from USAID participants, The Fiscal Reform Project's economist, Steve Rozner also attended.

Overall satisfaction with the training event seemed to be high, based on raw scores of evaluations. The most highly scored sessions were those on "Principles of Fiscal Policy" presented by Roy Bahl, "Fiscal Infrastructure" by Sally Wallace, and "Intergovernmental Fiscal Transfers" by Jamie Boex. The lowest scoring sessions were on tax policy and expenditure management.

Second Annual Training in Fiscal/Trade Reform

No action has been taken yet.

Buy-ins and potential buy-ins

India: During the 2nd Quarter of 2004, the Fiscal Reform Project's India buy-in completed the first of two planned exchange visits for the Indian Ministry of Finance (MOF) and continued discussions with USAID/India and the MOF concerning the direction of future technical assistance under this activity.

From April 17, 2004 to May 2, 2004 Susan Powers (Logistics Support Manager) and Robert Rafuse (Public Finance Specialist) accompanied five members of the Indian Ministry of Finance, Department of Expenditure on the first of two planned Exchange Visits, covering three federally structured countries: Russia, Canada and the United States. The program included stops in Moscow and St. Petersburg; Ottawa, Victoria and Vancouver; and Washington D.C. The delegation was joined by Madhumita Gupta, USAID/India, who helped to facilitate the technical focus of the scheduled meetings and to align the experiences gained from the visits with the overall goals of the Activity. Steve Rozner and Mark Gallagher provided oversight and general guidance from the Fiscal Reform Project headquarters in Washington, D.C.

In Russia, the Fiscal Reform Team worked closely with Galina Kurlyandskaya (General Director, Center for Fiscal Policy, Moscow) and her team from the Center for Fiscal Policy to coordinate a comprehensive and multi-faceted experience for the delegation. In Moscow, the delegation met with the Head and Deputy Head of Department, Department of Regional Programs, Ministry of Economic Development and Trade; the Deputy Minister, Ministry of Finance; and a Member of the Department of Internal Debt Management. Indian delegates and Russian participants exchanged experiences and lessons learned in fiscal policy and fiscal management in a seminar featuring experts from the Center for Fiscal Policy, officials from the Russian Ministry of Finance, Russian legislators, and regional government officials. In addition, the Center for Fiscal Policy sponsored several internal seminars for the Indian delegation concerning the structure of intergovernmental fiscal relations in Russia. In St. Petersburg, the delegation met with members of the Committee on Finance of Leningrad Oblast.

In Canada, the Activity Team worked closely with Richard Zuker, formerly a finance official in the Canadian Government, to program and plan the delegation's visits to Ottawa and British Columbia. In Ottawa, the delegation met with officials from the Ministry of Finance specializing in federal-provincial fiscal relations, as well as representatives from Statistics Canada to discuss data collection at the federal and provincial levels. The delegation also participated in a day-long roundtable session at Queens University's Institute of Intergovernmental Fiscal Relations in Kingston. In British Columbia, the team met with the Executive Director of the B.C. Municipal Finance Authority, and with members of the B.C. Provincial Government specializing in intergovernmental relations.

In Washington, D.C. the delegation participated in a seminar on the structure and practice of fiscal federalism in the United States, featuring fiscal specialists from George Mason University, the U.S. General Accounting Office, and members of the Fiscal Reform Project team. The delegation also heard from John Petersen, a renowned expert in subnational government debt financing, on the history and evolution of state and local debt markets in the U.S. Finally, the delegation met with the Chief Financial Officer of the District of Columbia to discuss the challenges of fiscal management at the municipal level.

The trip was met with high praise from the Indian delegation, as well as from Ms. Gupta. At the conclusion of the trip it was decided that the team would review the lessons derived from the meetings in each country and from these lessons create a more focused agenda for the second site visit.

The second site visit has been tentatively scheduled for September/October 2004, pending confirmation from the MOF and USAID/India. Once dates are confirmed and countries selected, the Activity Team will proceed swiftly with planning.

We also anticipate a second visit to India, in December of this year, or January of next, to assist the GOI counterparts to prepare an options paper for improving India's system of intergovernmental fiscal relations.

Vietnam: No technical work took place, but we were able to work out a number of logistic and timing issues. In addition, due to other pressing work, Mark Rider, of GSU, who was originally proposed to carry out this work, was replaced by another GSU consultant, Luc Noiset. Luc is scheduled to make his first visit to Vietnam in July.

The preparations are being coordinated by DAI's Steve Parker, the COP of the Vietnam STAR Project.

Guatemala: This was a very busy time for this buy-in. The benchmarking assessment of the tax system was undertaken during two waves of visiting consultants. The first wave took place in the beginning of April and included: Mark Gallagher, lead; Art Mann, public finance economist; and, Kevin Kyriss, computerization specialist. The second wave started at the end of April and lasted into June, comprising: Luis Alberto Arias, tax administration specialist; and, Renato Paes, customs specialist. In addition, Alex Segovia, who resides in Guatemala, participated during both waves. Gallagher, with assistance from Segovia, received all the individual consultant reports and edited them into a single, coherent benchmarking study. The draft study has been submitted to USAID/Guatemala and Guatemalan counterparts for comments.

Sudan: In April 2004, USAID/Nairobi/SFO staff member, James Walsh, requested assistance from USAID/EGAT in reviewing scopes of work and to make suggestions as to possible candidates to implement these scopes of work. These scopes were to first be implemented under an IQC that the Department of Agriculture uses. Both of the SOWs were to assist in the development of basic economic governance aspects of creating a new political entity in Southern Sudan. One SOW was to develop the work program for establishing a civil service system, while the other was to assess and make recommendations for establishing a new fiscal system. Of particular importance for the fiscal SOW was to help define issues, staffing and training needs, as well as to address some specific technical issues, such as taxation, revenue sharing, and budget management.

The Fiscal Reform Project was asked to contribute ideas with respect to the fiscal SOW. We suggested certain changes in resource requirements and some clearer definition of terms, as well as having recommended a consultant, Dr. Jitendra Modi, who might carry out the SOW under the Department of Agriculture IQC. It was then decided that the Fiscal Reform Project would be a better vehicle for carrying out this work, and so technical instructions were issued to do so.

Dr. Jitendra Modi traveled to Kenya and Sudan from end of May to end of June to carry out this work. He met with USAID staff, other donors, members of the South Sudan nascent government apparatus, especially the Financial and Economic Secretariat, which is the main counterpart in this area. Dr. Modi prepared an initial draft paper, which the Fiscal Reform Project COP commented on, which was then delivered to the FES and USAID for comment. The final version of the consultant report will be delivered in July.

Angola: USAID/Angola requested assistance from EGAT and the Project to help define a new scope of work to provide assistance to the Ministry of Finance that would open the way to establishing a comprehensive Staff Monitoring Program with the International Monetary Fund. After meetings in Washington with IMF staff and then a second meeting with Mr. Manuel Neto da Costa of the Angolan Ministry of Finance, while he was visiting at the IMF, it was agreed that the Project's COP, Mark Gallagher, would travel to Angola in July of this year to work with Mr. da Costa to develop a SOW that could be implemented as a buy-in with the Fiscal Reform Project.

