



**Fiscal Reform in Support of Trade Liberalization Project**

**Second Quarterly Progress Report:**

**November – December 2003**

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*Introduction*

This is the second quarterly progress report. This report covers only two months, November and December 2003. The report only covers this limited time so that our reporting can now be consistent with calendar quarters, which is particularly helpful since USAID requires accrual data on the same calendar basis.

The next section of this report discusses project 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*

**Outreach**

The project brochures have been finalized and 350 have been printed. Some have been distributed in the USAID Missions in India and Egypt.

On a recent trip to Egypt, Gallagher held discussions with USAID Mission personnel on how the Fiscal Reform Project works and how it might be of use to the Egypt Mission. Gallagher spoke with Ken Ellis, Mission Director; Mary Ott, Deputy Mission Director; Joe Ryan, Chief of the Economic and Growth Office; Tony Chan, Economist; and Imam El Sahayeb, Project Officer.

**Fiscal Website**

The Fiscal Reform in Support of Trade Liberalization Project Website is complete and up and running. The most recent change was to link it to the website that the Project Team has developed for the India Buy-in.

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.

While the Project team has established a tool for tracking the hits on the website, this is not in use yet since the website still needs to be advertised, especially to USAID staff worldwide.

One issue outstanding and that will be addressed in the next quarter is that for some, still unknown, reason, the website cannot be found based on search engine sites. Metatags have been developed and incorporated into the website but this does not seem to have had any effect yet.

The matter relating to the development of a page on "success stories" is discussed under the applied research agenda section of this report.

DAI has been keeping track of website hits since October 1, 2003. A summary report on this website hits and analysis has been delivered to USAID/EGAT, however, a brief summary of the website hits for the reporting period follows:

**Statistics Hits**

Entire Site (Successful) 1,292

Average Per Day 14

Home Page 92

**Page Views**

Page Views (Impressions) 261

Average Per Day 2

Document Views 261

**Visitor Sessions**

Visitor Sessions 107

Average Per Day 1

Average Visitor Session Length 00:04:58

International Visitor Sessions 10.28%

Visitor Sessions of Unknown Origin 29.9%

Visitor Sessions from United States 59.81%

**Visitors** Unique Visitors 42

Visitors Who Visited Once 17

Visitors Who Visited More Than Once 25

**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.

Art Mann is in Peru working on the SARAs study as of this writing. Jorge Martinez has received information from USAID Bosnia regarding anticorruption and the development of the Financial Integrated Management Information Systems Project. Gallagher has traveled to Egypt and is writing up a section about Egypt for the "Success Stories" project. Sam Skogstad will be traveling to Washington to discuss the success stories project with the Team and USAID. Pelzman has initiated his project and is refining the statistical requirements and looking into case study selection.

### **First annual workshop**

The Team has selected a site, Hilton Hotel in Ballston, VA, and has gotten quotations for a five-day conference for between 180 and 234 participants. A draft contract has been received and is being reviewed by DAI's contract specialists as well as by the Project's CTO. This five-day conference will include only 2 1/2 days of the Fiscal Reform in Support of Trade Liberalization workshops and the rest of the conference will be devoted to trade, economic growth and poverty and other matters of interest to EGAT.

### **First Annual Training in Fiscal/Trade Reform**

A complete schedule of course sections has been developed and approved by EGAT. The sections will be led by GSU instructors, although DAI's George Guess will lead those sections dealing with public expenditure management.

A draft brochure has been developed by GSU and is ready for final decision by EGAT. Demand for the training event needs to be assessed by USAID/EGAT, which needs to send the training brochure out to all relevant USAID officers. After some revisions, USAID will post the information on its intranet and marketing of the program will commence, probably in January 2004.

### **Second Annual Training in Fiscal/Trade Reform**

No action has been taken yet.

### **Buy-ins and potential buy-ins**

India: The Team prepared and delivered a literature review and a background report concerning international experiences and best practices in managing intergovernmental fiscal relations. The Team developed and delivered website, which went on-line on November 20, 2003.

The Team organized and facilitated a roundtable conference, convened in Agra, India on December 6-7, 2003, which brought together MOF and other GOI representatives to share experiences with experts from other federally structured countries in managing intergovernmental relations, controlling debt, and implementing subnational fiscal reform. Team members Gallagher and Rozner traveled to India to coordinate and participate in the Roundtable.

The Team is currently managing and updating the Activity website, preparing the roundtable procedural report, and planning MOF site visits for spring 2004. The GOI has requested the Team to organize a second roundtable for next summer, a result of which would be a white paper-type policy reform document.

The Team has prepared a separate quarterly progress report, for the period ending December 31, 2003, which provides greater detail on this buy-in.

**Vietnam:** USAID/Vietnam and their STAR Project (Support for Trade Acceleration) have received approval for the proposed work on the revenue implications of changes in tariffs from the STAR Steering Committee. The counterpart for this work will be the Committee on Economic and Budgetary Affairs (CEBA) in the National Assembly with the request that CEBA coordinate its work with the Ministry of Finance. This has good and less good points. The good point is that STAR has an excellent working relationship with CEBA, and CEBA (and the National Assembly) is taking over a stronger role in overseeing budgetary activity in the government.

CEBA has a small staff and it does not have direct ownership of key data. Presumably, the request to coordinate and the increasing stature of the National Assembly will allow us to gain access to key data. One possibility would be to establish a research team led by CEBA but also including researchers from the MOF and others who could work under CEBA leadership on the modeling, including maybe key staff from the MOF, which might help on the data side. The head of CEBA is the former head of Customs and a key Vice-Minister is the former head of the Treasury in the MOF and the current head of the Association of Accountants, so they are well connected in the MOF and they respect research.

The Fiscal Reform Project will provide the technical services, working with CEBA and in close coordination with the STAR Project. Dr. Mark Rider, GSU, will mostly carry out the Fiscal Reform Project's technical work. The Fiscal Reform Project's in-country assistance will not begin until after the International Monetary Fund has undertaken a strategy assessment of its own. We anticipate the IMF team to arrive in Vietnam in early February, so our participation is unlikely to begin until March 2004. In the meantime, our Team is providing the STAR Chief of Party, Steve Parker, with a methodology and data requirements listing so that work can begin before Rider's arrival in Vietnam. -- STAR also informs that the CEBA has requested further assistance in terms of setting up processes for supervising the budget. We are investigating the possibility of Mark Rider also covering this issue, though it is not clear if this will be adequate. -- A complete Scope of Work and budget estimates will be prepared in January 2004 in cooperation with the STAR Project and USAID/Vietnam's STAR/CTO, Jean Gilson, and approval will be sought from EGAT.

**Guatemala:** USAID/G prepared a concepts paper on the issues of public finances in Guatemala and requested assistance from the Fiscal Reform Project COP, Gallagher, to prepare a SOW to help the mission address some of the issues in the concepts paper. Total estimated cost of the assistance will be \$250,000, all of which would be executed in CY 2004. -- Gallagher has prepared a SOW and proposed to travel to Guatemala in mid-January 2004 to undertake a broader assessment and prepare a formal workplan.

Due to holiday breaks, final word has not been received from the USAID mission.

**Dominican Republic:** USAID/EGAT has been approached about possibly providing assistance in terms of helping the Government, specifically the Ministry of Economy; develop a strategy for improving the tax system, especially with regard to covering debt obligations that have arisen from the Government's recent bailout of three large commercial banks. This assistance still needs to be defined, but we expect some possible assistance may be provided in Q1:04

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