

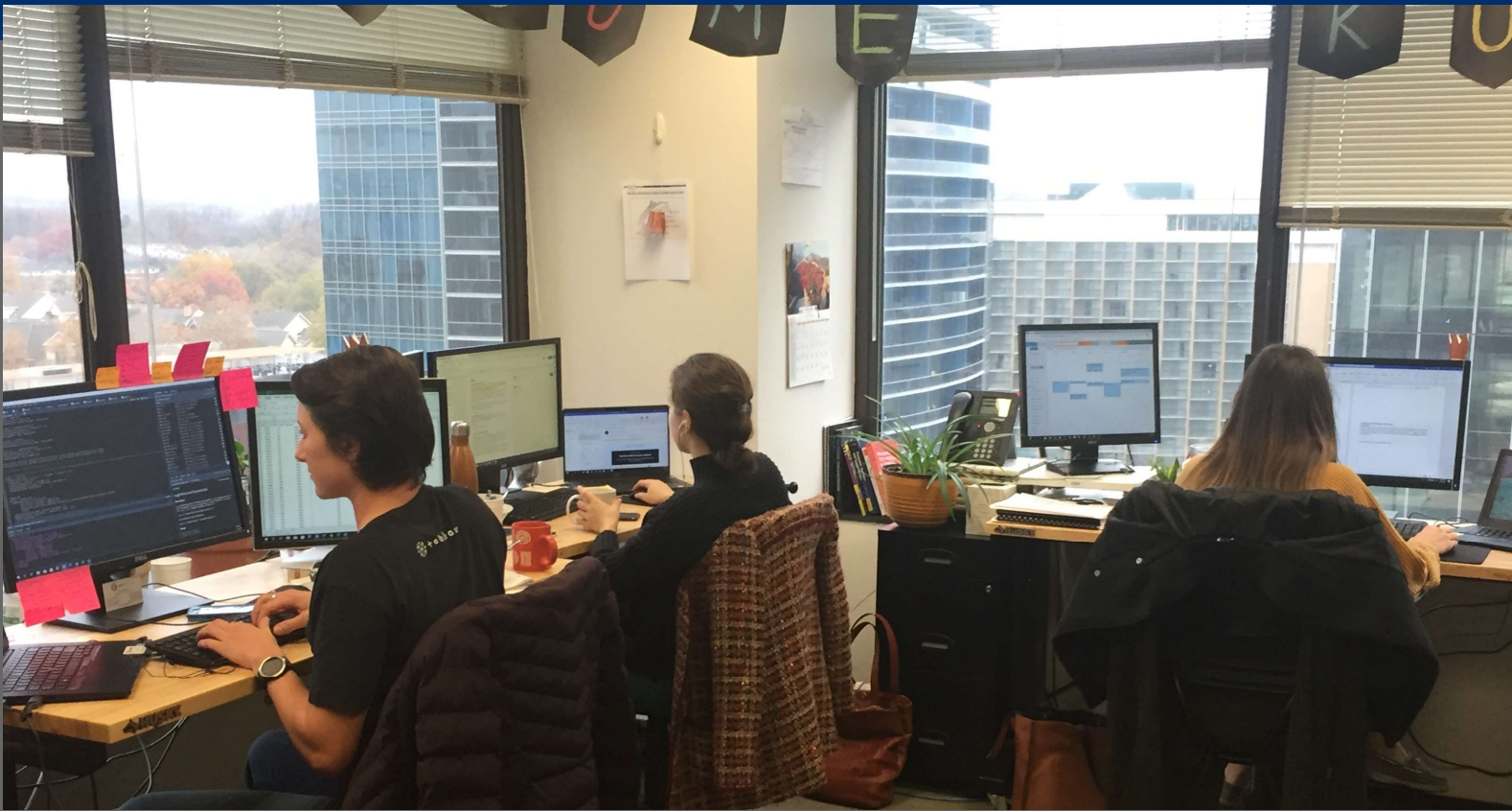


USAID
FROM THE AMERICAN PEOPLE

FIRST QUARTERLY REPORT

Covering the period October 1, 2019 through December 31, 2019

Fiscal Accountability and Sustainable Trade (FAST)



December 2019

This publication was produced for review by the United States Agency for International Development. It was prepared by DevTech Systems, Inc. under the Fiscal Accountability and Sustainable Trade Task Order, 7200AA18D00010/7200AA19F00015.

FIRST QUARTERLY REPORT

Covering the period October 1, 2019 through December 31, 2019

Fiscal Accountability and Sustainable Trade (FAST)

Program title: Fiscal Accountability and Sustainable Trade
Sponsoring USAID office: Bureau for Economic Growth, Education, and Environment's Offices of Economic Policy (E3/EP) and Trade and Regulatory Reform (E3/TRR)
COR: Theresa Stattel
ACOR: Anton Kamenov
Contract No. 7200AA18D00010 Task No. 7200AA19F00015
Contractor: DevTech Systems, Inc.
Date of submission: December 31, 2019

DISCLAIMER

This document is made possible by the support of the American people through the United States Agency for International Development (USAID). Its contents are the sole responsibility of the author(s) and do not necessarily reflect the views of USAID or the United States government.

CONTENTS

Acronyms	iv
Project Purpose	1
Core Management	1
Workstream 1: Technical leadership, including strengthened understanding of leading practices and tools	2
On-Demand Assistance	2
Revenue Performance and Tax Administration – an empirical analysis	2
Workstream 2: USAID Operating Unit and Partner Country Support	3
Domestic Resource Mobilization Training	3
Public Financial Management for Payment for Ecosystem Services (PFM4PES)	4

Acronyms

ACOR	Alternate Contracting Officer's Resource
ADVISE	USAID Data Services
COP	Chief of Party
COR	Contracting Officer's Representative
CSIS	Center for Strategic and International Studies
CTD	Collecting Taxes Database
DCOP	Deputy Chief of Party
DRM	Domestic Resource Mobilization
E3	Bureau for Economic Growth, Education, and Environment
E3/EP	E3 Office of Economic Policy
E3/TRR	E3 Office of Trade and Regulatory Reform
EIU	The Economist Intelligence Unit
FAST	Fiscal Accountability and Sustainable Trade
GSU	Georgia State University
ICGFM	International Consortium on Governmental Financial Management
PES	Payment for Ecosystem Services
PFM	Public Financial Management
PFM4PES	PFM for Payment for Ecosystem Services
SOW	Scope of Work
TCB	Trade Capacity Building
USAID	United States Agency for International Development

FIRST QUARTERLY REPORT

This quarterly report covers the period October 1, 2019 to December 31, 2020. It summarizes activities and results of the ongoing FAST tasks in the quarter, including a discussion of progress against the work plan.

Project Purpose

The Fiscal Accountability and Sustainable Trade (FAST) task order supports rapid, sustainable, and equitable economic growth in USAID-assisted countries by enabling USAID to bring a systems approach to addressing PFM (public revenue, budget, expenditure, and debt), trade capacity building (TCB), macroeconomic planning and policies, and other economic governance issues, such as regulatory reform, and by supporting missions to improve the following: a) host-country capacity to mobilize revenue and provide public services; b) policy climate for investment that generates more productive employment and inclusive growth, including issues specific to women and other disadvantaged populations; c) host-country ability to recover from, prevent, and/or mitigate the impact of conflict, natural disasters, or fiscal crises; and, d) host-country institutional capacity to identify, design, advocate, and implement better economic policies to enhance inclusive growth and gender equity.

Although all work under the FAST task order is demand driven, i.e., as requested by USAID and approved by the COR, the FAST team provides E3 with a dedicated core staff of experts, who provide on-call analysis and expertise on issues of PFM, trade, macroeconomic planning and policies, and other economic governance. FAST will rapidly mobilize to provide constructive short-term technical assistance in PFM and trade to USAID missions and partner countries; serve as a training resource; and, serve as a communication resource.

This report presents FAST activities and progress according to the two project workstreams:

Workstream 1: Technical leadership, including strengthened understanding of leading practices and tools, and

Workstream 2: USAID Operating Unit and Partner Country Support” Core Management is reported on in the next section.¹

Core Management

The FAST was established in October 2019, the COP and DCOP are on board, and DevTech has submitted a request for approval for the trade advisor, which is a key personnel designated position. The project first-year work plan and financial plan have been submitted and approved. In addition, FAST Core Management developed a research proposal for assessing tax administration structures and revenue performance, discussed

¹ NB: Core Management and On-Demand Assistance are treated as a single task under in the financial proposal but are reported separately here.

below; and, initial costing and planning for the Public Financial Management for Pricing for Ecosystem Services (PFM4PES) activity, discussed below.

Table 1: Work Plan and Report Schedule

Report	Due Date	Progress
First Year Work plan	November 30, 2019	Submitted November 17, 2019; work plan and accompanying financial planned approved December 23, 2019.
Quarterly report 1:1*	December 31, 2019	Submitted December 31, 2019.
Quarterly report 1:2*	March 31, 2020	
Quarterly report 1:3*	June 30, 2020	
Combined Annual and Quarterly report 1:4*	September 30, 2020	
Year Two Work plan	August 15, 2020	
* deliverable		

Workstream 1: Technical leadership, including strengthened understanding of leading practices and tools

On-Demand Assistance

On-demand assistance from the FAST team during this quarter included:

- Revision of the Tax Effort indicator and how it should be calculated over time on a cross-country basis and made more useful in Supporting the Journey to Self-Reliance.
- Review and advice on other Collecting Taxes Database (CTD) indicators, such as on the correct indicator for VAT threshold, calculation of personal income tax productivity, currency use for the VAT Threshold indicator, drafting of technical notes for all the CTD database, and others.
- Participation of FAST COP, Gallagher, along with Ms. Egle Vilkelyte of DevTech’s USAID/ADVISE/CTD team, and Mr. Steven Rozner, USAID/E3 in presenting the 2019 Collecting Taxes Database at the December forum of the International Consortium on Governmental Financial Management (ICGFM) held at the International Monetary Fund headquarters in Washington, DC.

Revenue Performance and Tax Administration – an empirical analysis

This research project is an empirical investigation into the relationship between the main characteristics of a tax administration and revenue performance. The results of this project

can be used to project the likely impact of tax administration changes or reforms on tax collections in countries throughout the world.

This research includes statistical analysis using the USAID Collecting Taxes Database (CTD) to assess the contributions of various tax administration characteristics to the productivity of the personal and corporate income taxes and to VAT, as well as the overall administrative cost efficiency of the tax system, i.e., cost of tax administration to collect \$100 in revenue.

Half of the data have been compiled into a comprehensive database, and are being inspected, and cleaned. The other half of the CTD (after 2013) will be incorporated into the comprehensive database and efforts to create consistency and clean out errors will be completed in January 2020. Some statistical analysis has been conducted on the limited (2007-13) database but with interesting results with respect to assessing the impact on revenue performance and the cost of collection indicators of various indicators in the CTD. Other data transformations will also be required, such as the creation of a dummy matrix for the purpose of estimating country fixed effects in the modeling processes.

Table 2 presents progress to date to project plan.

Table 2 Tax Administration and Revenue Performance, Timeframe

Activity	Planned dates	Progress
Data compilation and cleaning	December 1, 2019 – January 31, 2020	CTD data collected from 2008 to 2019 have been compiled and are being inspected. Data are under review and testing. Country dummies and other data collection will be conducted in January 2020.
Data analysis and assessment	January 2 – 31, 2020*	Some statistical analysis has been conducted on the with interesting results.
Report preparation, review, delivery	February 1 – April 1, 2020*	
* Deliverable		

Workstream 2: USAID Operating Unit and Partner Country Support

Domestic Resource Mobilization Training

FAST is planning to provide an expert to help facilitate USAID/E3’s next presentation of its “Flagship DRM Training,” which is currently planned for April 20-24, 2020 at the USAID Middle East Regional Platform (MERP), U.S. Consulate, Frankfurt, Germany. FAST is ready to provide support to this and other trainings as requested by USAID.

Public Financial Management for Payment for Ecosystem Services (PFM4PES)

FAST experts will assess and provide additional assistance to several USAID-supported payment for ecosystem services (PES) programs. This activity will view PES activities through a PFM lens to strengthen effectiveness, efficiency, equitability, and transparency in the use of funds.

PESs connect beneficiaries of ecosystem services with stewards of those ecosystems by charging the beneficiaries and rewarding the stewards for good natural resource management. The success of a PES depends on its effectiveness, efficiency, equitability, and transparency in its design and operation.

Assessments of the perceptions of participants and observers of a PES can inform operational improvements, public outreach efforts, and sharing of lessons learned with others. Application of the principles of good public financial management (PFM) to the design and operations of PES programs will help protect the long-term legitimacy and success of PES programs. If PES programs are well designed, operated, and monitored, they can create incentives for ecologically responsible behavior and mobilize new sources of financing for biodiversity conservation, climate adaptation, and sustainable landscapes.

PFM4PES will include assessments in three countries: The Philippines, Peru, and The Dominican Republic. During the current quarter, FAST began the preparations for the Philippines component of the project. FAST mobilized a team comprising Greg Michaels, Team Leader, Welmar Rosado, PFM Advisor, Felicidad Narvaez, local consultant, and Mark Gallagher. The team prepared a proposed work plan, participated in the kickoff meeting with USAID staff, and reviewed documents provided by USAID/Philippines and others. The team is in constant communication with USAID/W and USAID/Philippines for the preparation of the upcoming field visit to the Philippines. The FAST experts have been working very closely with USAID's Activity Manager, Dr. Eric Hyman, who has reviewed and provided input on the proposed work plan, scheduling, and other materials.

USAID is still finalizing the calendar for the fieldwork phase of the Philippines project, but it is expected to be in February 2020. FAST will deliver a draft report of the PFM4PES seven business days posterior to the debrief for USAID/Washington of the fieldwork.

Table 3 presents progress to date compared to project schedule.

Table 3 PFM4PES, Timeframe

Activity	Dates	Progress
Preparation, responses and planning	November – December 2019	Completed but adjustments will be made in January 2020.
Conduct Philippines Assessment	January – March 2020*	Assessment postponed, possibly to start in February 2020.
Conduct Peru Assessment	April – June 2020*	
Conduct Dominican Republic Assessment	July – September 2020*	
Other overall supporting activities, such as blog and responding to queries	January – September 2020*	
Final report on activities	September 2020*	
* Deliverable		