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SECOND QUARTERLY REPORT

Covering the period January 1, 2020 through March 31, 2020

Fiscal Accountability and Sustainable Trade (FAST)

March 2020

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Acronyms

ACOR	Alternate Contracting Officer's Resource
CIT	Corporate Income Tax
COP	Chief of Party
COR	Contracting Officer's Representative
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
FAST	Fiscal Accountability and Sustainable Trade
PES	Payment for Ecosystem Services
PIT	Personal Income Tax
PFM	Public Financial Management
PFM4PES	PFM for Payment for Ecosystem Services
TCB	Trade Capacity Building
VAT	Value Added Tax
USAID	United States Agency for International Development

SECOND QUARTERLY REPORT

This quarterly report covers the period January 1, 2020 to March 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 mitigate the impact of conflict, natural disasters, or fiscal crises; and, d) host-country institutional capacity to identify, design, advocate for, 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 areas of 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 discusses core management and 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

COP Gallagher and DCOP Rosado have been and continue to be available for FAST.

On January 22, 2020, FAST received the signed contract amendment P00002, approving the replacement of the key personnel position of Trade Advisor Ms. Zeynep Akalin with Ms. Kelly Gibbons. During January 2020, Mr. Niaz Shinwari replaced Ms. Emily Forest as FAST Project Manager. The first quarterly report was submitted and was approved.

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

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 plan approved December 23, 2019.
Quarterly report 1:1*	December 31, 2019	Submitted December 31, 2019; approved January 10, 2020.
Quarterly report 1:2*	March 31, 2020	Submitted March 31, 2019
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

The FAST team:

- Prepared “Tax System from 30,000 Feet” report for Bangladesh.
- Participated in meetings with USAID, the World Bank, and the International Monetary Fund to discuss how USAID assistance might be helpful and supportive of DRM in Bangladesh.
- Provided assistance in refining the calculation of the “Tax Effort” indicator and improved the methodology.
- Continued to provide guidance to the USAID/ADVISE Collecting Taxes team on the technical issues and error tracking and correction.

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.

- The team continued data compilation, inspection, and cleaning in January 2020.

Preliminary statistical analysis yielded interesting and promising results. These preliminary results are:

- Revenue productivity is inversely related to the respective tax rate, across the board.
- Neither having a large taxpayer unit nor being organized functionally are shown to directly raise revenue productivity, but both are consistent with greater efficiency (lower cost to collect).
- Neither being organized as a Semi-Autonomous Revenue Authority (SARA) nor integrating customs operations with internal revenue administration seem to demonstrate a direct impact on revenue productivity, but they both indicate a lower efficiency, i.e., SARAs are more costly organizational set up for administering the revenue system.
- The number of active taxpayers and tax administration staff both positively affect PIT and VAT revenue productivity.
- The number of active taxpayers per tax official seems to raise tax administration efficiency, i.e., collect more revenue at lower cost.

These results were summarized in a deliverable submitted to USAID on February 5, 2020. The COR approved the first deliverable on March 2, 2020 but instructed the FAST team not to pursue the next steps, at this time.

Table 2: Schedule for Revenue Performance and Tax Administration Analysis

Activity	Due date	Progress
Data compilation and cleaning	December 1, 2019 – January 31, 2020	Completed
Data analysis and assessment	January 2 – 31, 2020*	Completed and approved by COR.
Report preparation, review, delivery	February 1 – April 1, 2020*	belayed
* Deliverable		

Workstream 2: USAID Operating Unit and Partner Country Support

FAST worked on two activities during this quarter: DRM training, and PFM for Payment for Economic Services, both discussed below.

Domestic Resource Mobilization Training

COP Gallagher served as a trainer for the “Strengthening Public Financial Management and Public Accountability” from February 24 to 28, 2020, organized by USAID/RDMA. Gallagher covered macro-fiscal policy and analysis, domestic revenue mobilization, budget planning and preparation, public procurement, and intergovernmental fiscal relations, as well as served as a resource person for the rest of the training and was a member of a discussion panel about donor coordination in PFM activities.



*Trainers and participants at the Pretoria Training:
Picture courtesy of Thomas Solomon.*

Participant feedback, as captured in daily evaluations, was very positive.

Due to COVID-19 the “Flagship DRM Training” planned for April 20-24, 2020 in Frankfurt, Germany has been cancelled. FAST had planned to provide an expert to help facilitate this training.

FAST is ready to provide support other trainings remotely during the contingency via Microsoft Teams, EdX, Coursera, or produce online tools, as may be requested by USAID.

Table 3: Schedule for Trainings

Activity	Due date	Progress
Training 1*	April 2020	Completed March 2020
Training 2*	TBD	belayed
* Deliverable against report on training included in FAST Quarterly Reports		

The FAST first annual workplan does not include a specific schedule for timeframe and deliverables. It does require reporting on each training provided. As agreed with the COR, this overall FAST Quarterly Report incorporates the report on this task and acceptance of the quarterly report directly also implies acceptance of this report on training.

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.

PFM4PES includes assessments in three countries: The Philippines, Peru, and The Dominican Republic.

Due to the eruption of Taal Volcano in the Philippines on January 12, 2020, USAID/W informed FAST that non-essential travel to the Philippines was suspended. This caused delays in the implementation of this activity.

Due the worldwide COVID-19 pandemic in March 2020, all non-essential travel for USAID staff and contractors has been curtailed indefinitely. FAST is currently working with USAID to develop an alternative workplan, which could involve remote interviews and electronic transmission of documents and information.

Team members have been reviewing relevant documentation and participating in virtual meetings and seminars. FAST experts met with the US Army Corps of Engineers to exchange information about the upcoming activity in the Dominican Republic.

Table 4: Schedule for PFM4PES

Activity	Original Dates	Progress
Preparation, responses, and planning	November – December 2019	Completed but subject to adjustment.
Conduct Philippines Assessment	January – March 2020*	Assessment postponed.
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		