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# THIRD QUARTERLY REPORT

Covering the period April 1, 2020 through June 30, 2020

## Fiscal Accountability and Sustainable Trade (FAST)



Khartoum, Sudan

July 2020

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## Fiscal Accountability and Sustainable Trade (FAST)

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# CONTENTS

<b>Table of Tables</b>	<b>iv</b>	
<b>Table of Figures</b>	<b>iv</b>	
<b>Acronyms</b>	<b>v</b>	
<b>I. Introduction</b>	<b>I</b>	
Core management		2
<b>II. Workstream 1: Technical leadership, including strengthened understanding of leading practices and tools</b>	<b>3</b>	
COVID-19 tools		3
<b>III. Workstream 2: USAID Operating Unit and Partner Country Support</b>	<b>6</b>	
Public financial management for payment for ecosystem services		7
DRM and budget formulation in Sudan		8
Procurement reform in Kyrgyzstan		8
<b>IV. Impact of COVID-19 on FAST implementation</b>	<b>9</b>	
Core management and on-demand assistance		10
DRM training		10
Tax efficiency research		10
PFM for PES		10
DRM and PFM assessment in Sudan		10
Procurement reform in Kyrgyzstan		10

## Table of Tables

Table 1: Work plan and report schedule .....	2
Table 2: Schedule for trainings.....	6
Table 3: Schedule for PFM for PES.....	7
Table 4: Trainings and Workshops or Conferences for Kyrgyzstan Task .....	9

## Table of Figures

Figure 1: Mapping countries according to their vulnerability.....	4
Figure 2: Mapping countries according to their macroeconomic resilience.....	5

## Acronyms

ACOR	Alternate Contracting Officer's Resource
ADB	Asian Development Bank
AfDB	African Development Bank
CLTG	Civilian Led Transitional Government
COP	Chief of Party
COR	Contracting Officer's Representative
COVID-19	Coronavirus Disease 2019
CTD	Collecting Taxes Database
DCOP	Deputy Chief of Party
DRM	Domestic Resource Mobilization
DPP	Department for Public Procurement
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EGSC	Economic Growth Sector Council
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
GDP	Gross Domestic Product
IADB	Inter-American Development Bank
ILO	International Labor Organization
IMF	International Monetary Fund
OECD	Organization for Economic Co-operation and Development
PES	Payment for Ecosystem Services
PIT	Personal Income Tax
PFM	Public Financial Management
PFMN4PES	Public Financial Management for Payment for Ecosystem Services
SCIT	State Committee on Information Technology
TCB	Trade Capacity Building
USAID	United States Agency for International Development
VAT	Value Added Tax
WB	World Bank
WDI	World Development Indicators
WEO	World Economic Outlook
WoRLD	World Revenue Longitudinal Data
WTTC	World Trade and Tourism Council

## THIRD QUARTERLY REPORT

This quarterly report covers the period April 1, 2020 to June 30, 2020. It summarizes activities and results of the ongoing FAST tasks in the quarter, including a discussion of progress against the work plan.

### I. INTRODUCTION

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 USAID's Bureau for Economic Growth, Education, and Environment (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.

During the third quarter of FY 2020, FAST heavily focused on assisting USAID with its COVID-19 economic assessments, worked with colleagues of USAID/Dominican Republic and the US Army Corps of Engineers in the Public Financial Management for Payment for Ecosystem Services (PFM4PES) task in the Dominican Republic, and laid the groundwork for the tasks in Sudan and Kyrgyzstan, which will include future fieldwork components.

Throughout the reporting period, FAST operated through teleworking mechanism while implementing social and physical distancing. All FAST activities were conducted remotely. Despite the challenges presented by the teleworking set-up, FAST was able to work uninterrupted on the components that do not require travel.

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.

### Core management<sup>1</sup>

Chief of party (COP) Mark Gallagher, Deputy Chief of Party (DCOP) Rosado, and Trade Advisor Kelly Gibbons have been and continue to be available for FAST.

FAST submitted the second quarterly report on March 31, 2020 and USAID approved it on April 7<sup>th</sup>, 2020.

Table I: 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 I:1*	January 31, 2020	Submitted December 31, 2019; approved January 10, 2020.
Quarterly Report I:2*	April 30, 2020	Submitted March 31, 2020, approved April 7, 2020.
Quarterly Report I:3*	July 31, 2020	Submitted July 27.
Combined Annual and Quarterly Report I:4*	October 31, 2020	
Year Two Work Plan	August 15, 2020	
* deliverable		

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



## II. WORKSTREAM I: TECHNICAL LEADERSHIP, INCLUDING STRENGTHENED UNDERSTANDING OF LEADING PRACTICES AND TOOLS

The major component of workstream activities is to provide on-demand assistance to USAID/W, Missions, and other operating units. During this quarter, FAST on-demand assistance focused almost exclusively on supporting USAID with respect to the COVID-19 crisis.

### COVID-19 tools

**Purpose:** Provide USAID/W, Missions, and other operating units with technical and research assistance in the development of tools that can help to provide empirical evidence and analysis in support of better understanding and responding to the economic, financial, and social impacts of COVID-19 around the world and in partner countries.

**Progress:** FAST developed several tools: 1) a handy guide or literature review to inform USAID officers of the research and tools being developed by other organizations to confront the COVID-19 around the world; 2) a tool to assess overall economic and job loss vulnerability of countries arising from the COVID-19 crisis; 3) a tool to present the macroeconomic resilience of countries and the flexibility they may have with respect to accessing financing as they recover from COVID-19 impacts; 4) a country assessment tool to analyze the impact of shutdowns in a given country in terms of near-term output declines, employment of men and women, and poverty.

As economies around the world struggle with the economic impact of the COVID-19 pandemic, governments are seeking ways to respond. Meanwhile, appropriate planning requires a good understanding of how a country's economy is likely to be impacted and what policy levers might be available to mitigate the impact. To respond to this need, FAST has developed a series of tools to help Missions scenario plan based on solid data and sound economic principles that focus on changes in jobs, and poverty, and the degree of macroeconomic resilience governments have to respond.

FAST COP presented the set of tools in a USAID Economic Growth Sector Council meeting on June 25. The following sections provide an overview of each.

### Literature review

FAST prepared a guide to international literature on the economic impact of COVID-19 to provide a broad understanding of what other institutions and researchers were doing in terms of estimating the economic impact of the pandemic. FAST reviewed documents by the International Monetary Fund (IMF), World Bank (WB), the Organization for Economic Co-operation and Development (OECD), Asian Development Bank (ADB), Inter-American Development Bank (IADB), the European Bank for Reconstruction and Development (EBRD), the European Commission (EC), and from various academic outlets to identify gaps in the analyses. FAST found that despite the volume of work produced, there was still need to develop tools for to estimate the vulnerability,

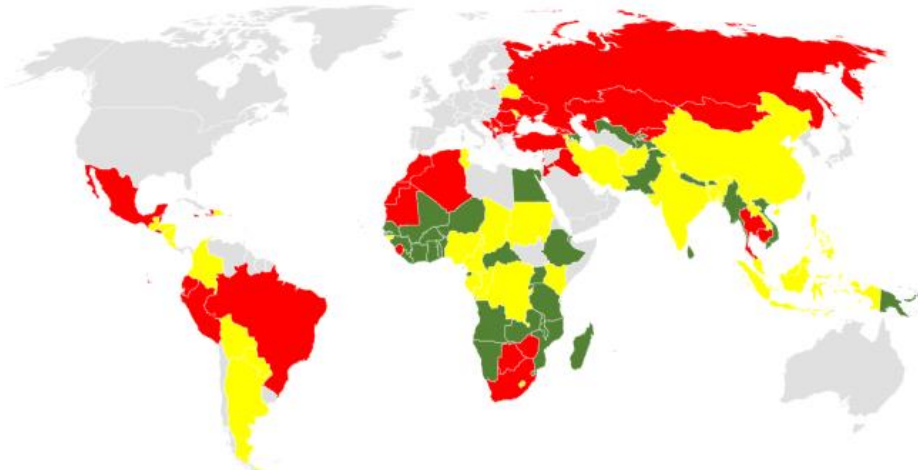
resilience, and assess the immediate damage to economic growth and jobs, which is important information to set up strategies and workplans in the development field.

### **Cross-country economic impact model**

This model estimates the loss in Gross Domestic Product (GDP) and jobs by women and men during the crisis period for low- and middle-income countries and combines these losses into a “vulnerability” index. The model also scores and ranks countries from most to least likely to be affected.

The model calculates potential GDP loss due to the four-month period shutdowns, job losses, job losses as percentage of total employment, and the job losses by women and men. The model produces a vulnerability index, defined as the average of GDP and job losses during the crisis period. Figure 1 maps countries according to the economic vulnerability, a combination of economic decline and job loss. Where countries are color-coded: red are highly vulnerable; yellow, moderately vulnerable; and green, less vulnerable.

Figure 1: Mapping countries according to their vulnerability



### **Macroeconomic resilience tables and heatmap**

FAST assessed the macroeconomic resilience of nations using 14 indicators that determine fiscal and monetary space for 133 low- and middle-income countries.<sup>2</sup>

Fiscal space is the room in a government’s budget that allows it to allocate resources for a desired purpose without jeopardizing the sustainability of its financial position or the stability of the economy. Monetary space is the ability of a financial system to implement expansionary monetary policy to accommodate expansionary fiscal policy or to substitute for it, without creating extraordinary problems of inflation, surges in real interest rates, or disequilibria in international payments.

Figure 2 is a macroeconomic resilience heatmap based on the set of indicators.

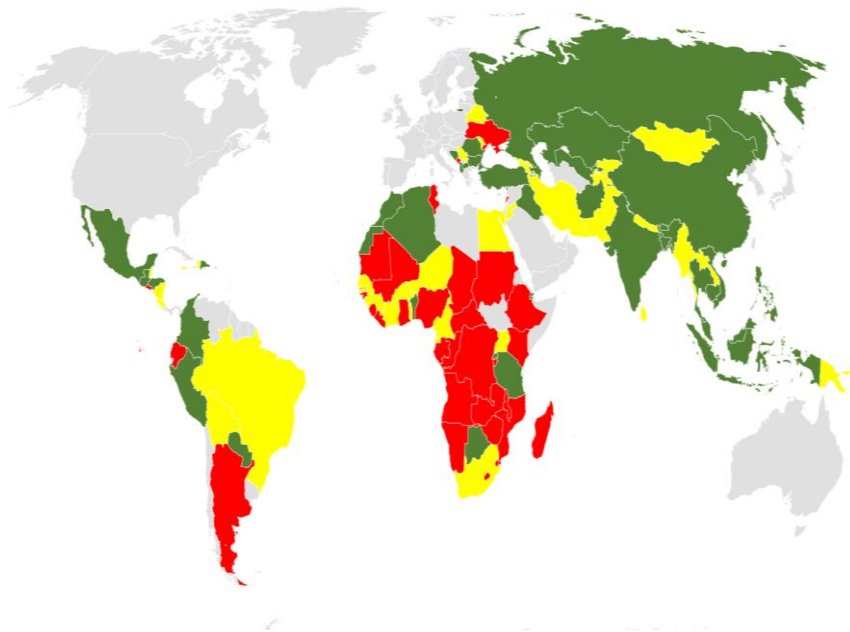
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<sup>2</sup> This is an update and expansion of the work of Mark Gallagher and Eunice Heredia-Ortiz (2013) “The Macroeconomic Resilience of Nations.”

Green indicated countries, such as Malaysia and Thailand, are relatively resilient while those in red are less resilient. The less macroeconomic reliance the more difficulty a country is likely to face in meeting economic shocks, such as COVID-19. The red (low resilience) countries warrant greater vigilance and possibly donor assistance to help it avoid instability.

In general, there is a strong geographical face to macroeconomic resilience; with Africa being less resilient, South East Asia more resilient, and Latin America, Central Asia, and Eastern Europe in between. Figure 2 presents macroeconomic resilience across the globe.

Figure 2: Mapping countries according to their macroeconomic resilience



### Country Assessment Tool

The country assessment tool analyses the impact of COVID-19-related shutdowns in the country of interest in terms of near-term output declines, employment of men and women, and poverty. Country reports can inform USAID leaders and enable them to anticipate major events that may affect the welfare and development of the partner country.

To generate the model, the FAST team takes a deep dive into publicly available data of the country, in terms of the structure economic production, employment, and poverty, and also utilizes information sources such as news media and reports to determine the relative shock to each sector. The methodology generates plausible scenarios based on how COVID-19 shutdowns are affecting behavior, such as lack of demand, inability to go to work, and supply chain disruptions for exports. Timing, intensity, and persistence of the shutdown is important, and the country model makes use of tools such as Google mobility reports, Apple mobility reports, the Yandex isolation index, and NO2 emissions to approximate the date and prevalence of shutdowns and their distribution across sectors. Based on the available information, the analyst assigns a distribution of impacts

that aligns with the economic drop in GDP estimated by the IMF in its WEO reports, and makes calculations on how the indicators of interest will be affected by the shutdown. Each country report considers three scenarios: High, Moderate, and Optimistic, depending on how much the economic shock is distributed through the year.

Economist Intelligence Unit country correspondents review and validate the model assumptions.

During the reporting period, the FAST team conducted assessments for Indonesia and Armenia and has been providing support to USAID/Mozambique as the mission is conducting an independent study based on the FAST country-model. USAID/W is considering other countries for assessments.

### **Economic Growth Sector Council**

On June 25th, COP Gallagher presented the FAST work for the Economic Growth Sector Council (EGSC) COVID-19 Discussion Series. Approximately 89 USAID staff attended the presentation and asked questions about the work. FAST continues to be available to support USAID in the development of COVID-19 tools and strategies from a public finance and macroeconomic perspective. FAST also assisted USAID staff to prepare a blog write up of the tools, as well as provided USAID/EP with a handy brochure about the tools and how FAST could assist missions in their application.

### **Domestic resource mobilization training**

FAST did not engage in DRM training this quarter, but is available to perform training on DRM or other topics in PFM via Microsoft Teams, Google Meet, Zoom, or other electronic platforms while the COVID-19 pandemic still poses risks for in-person training. FAST will be available to perform in-person trainings when the authorities and USAID deem this process to be safe for trainers and attendants.

## **III. WORKSTREAM 2: USAID OPERATING UNIT AND PARTNER COUNTRY SUPPORT**

FAST worked on three activities during this quarter: Public financial management for payment for economic services (PFM for PES), increasing government transparency and accountability in Sudan by supporting responsible government budget formulation and increased and equitable domestic revenue mobilization (PFM Sudan), and effective public procurement for Kyrgyzstani taxpayers (Procurement Kyrgyzstan). Task 2, domestic resource mobilization (DRM) training has been belayed due to the COVID-19 restrictions). These tasks are discussed below.

Table 2: Schedule for trainings

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

## Public financial management for payment for ecosystem services

**Purpose:** Assess and provide design recommendations for payment for ecosystem services (PES) programs from a public financial management lens to strengthen their effectiveness, efficiency, equitability, and transparency in use of funds. This task includes assessment in the Philippines, Peru, and the Dominican Republic PES programs. The task also includes providing support to the USAID EP/Human Capacity Building in Knowledge Management.

**Progress:** Progress has been stymied, first by volcanic eruption in the Philippines and then COVID-19 restrictions. FAST has been able to develop means to conduct some of the work via electronic communications, particularly teleconferences.

Due to the eruption of the Taal volcano in the Philippines in January 2020, and the worldwide COVID-19 pandemic in March 2020, all non-essential travel for USAID staff and contractors is curtailed indefinitely. USAID/Philippines determined that it was impossible to conduct the assessment remotely and the work has postponed the task until travel becomes feasible.

FAST team has been participating in weekly meetings with USAID/DR and the U.S. Army Corps of Engineers (USACE) to discuss a new water management system in the Guayubin sub-watershed. FAST has provided feedback about the inputs to evaluate the sub-watershed system. USAID/Peru and FAST are currently refining an approach for the future engagement.

FAST is preparing a literature review and will curate a repository of documents on PFM and PES.

Table 3 provides the schedule for activities and progress milestones. Given the enumerated delays, FAST will submit proposed changes in August 2020.

Table 3 presents the current planned schedule of activities and milestone dates. FAST management will request that these dates be adjusted to reflect the impediments to implementation created by both the volcanic eruption in the Philippines and the subsequent worldwide COVID-19 crisis.

Table 3: Schedule for PFM for PES

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*	Assessment postponed. SOW under review.
Conduct Dominican Republic Assessment	July – September 2020*	Plan under review.

Activity	Original Dates	Progress
Other overall supporting activities, such as blog and responding to queries	January – September 2020*	In progress.
Final report on activities	September 2020*	Under review.
* Deliverable		

### DRM and budget formulation in Sudan

**Purpose:** Independent and objective assessment of the context and rationale for USAID assistance to the Civilian Led Transitional Government (CLTG) in Sudan to enhance domestic revenue mobilization (DRM) and budget formulation and to provide a menu of options for USAID programming in these areas. The results of this effort will provide USAID a foundation for informed decision making related to investing in Sudan to support DRM and/or improved budget formulation.

**Progress:** FAST has mobilized a team of experts and initiated preliminary work including the preparation of a pre-mission workplan and compiled a list of people and organizations with whom to confer.

Sudan currently faces severe challenges. COVID-19 is preventing people from meeting for discussions. Electrical outages impede communications, including, especially teleconferences, but also email service and texting are also not always reliable. Work with the USAID Mission is also subject to these challenges. In addition, recent unrest and street movements have led to an important reshuffle of the cabinet, including the removal of the Minister of Finance and Economic Planning and his replacement with an acting Minister. Donors have not yet had the opportunity to meet with the new acting Minister.

The FAST team is developing a new approach to undertaking the task and will submit a new plan shortly.

### Procurement reform in Kyrgyzstan

**Purpose:** Improve self-reliance in Kyrgyzstan’s public procurement systems by increasing capacity to properly evaluate public proposals and support reforms in public procurement systems and processes where needed to improve transparency and reduce corruption. The program aims to work with the Ministry of Finance’s Department for Public Procurement, State Committee on Information Technology, and other media and civil society groups. Significant portions of the activity will be related to digitalization of public procurements to increase transparency, reduce corruption and enable civic oversight and participation at the budget planning and execution process.

**Progress:** Activity initiated in June 2020. The team will prepare a scoping study, mostly remotely due to the COVID-19 crisis. The scoping study will develop a full life of task workplan. The FAST implementing team, with Mr. John Yates as team lead, have met

with USAID/Kyrgyzstan and with the Kyrgyz Ministry of Finance’s Department for Public Procurement.

The team will review the situation in Kyrgyzstan based on available literature and consultation with local experts, counterparts, private sector, and USAID/Kyrgyzstan to apply tools or standards such as the UNCITRAL, UN model legislation for public procurement; the WTO’s GPA standards; and, the OECD’s MAPS tool.

FAST will execute the second phase, including posting a coordinator and a procurement modernization advisor within the DPP’s facilities. The second phase will start October 1, 2020 and complete September 30, 2022.

The project will support the DPP through trainings and communications support to help raise knowledge and awareness of procurement regulatory framework, rules, and regulations. In some instances, DPP employees may be the trainers or presenters, with support from FAST. The project will also provide technical assistance and trainings in e-procurement or e-government methods and processes; private sector awareness; meeting international standards; and, developing a procurement from start to completion.

Table 4 presents the schedule of workshops and conferences planned for phase II.

Table 4: Trainings and Workshops or Conferences for Kyrgyzstan Task

	FY2021	FY2022
Number of trainings in Bishkek	2	3
Number of trainings in Oblasts	3	4
Number of days per training	2	2
Number of participants in each training	20	20
Workshops or conferences in Bishkek	2	2
Number of days per workshop or conference	2	2
Number of participants in each workshop or conference	50	50
FY2021 is October 1, 2020 to September 30, 2021		
FY2022 is October 1, 2021 to September 30, 2022		

## IV. IMPACT OF COVID-19 ON FAST IMPLEMENTATION

This section summarizes current and expected impact of the COVID-19 situation on FAST implementation.

Throughout the reporting period, FAST operated through teleworking mechanism while implementing social and physical distancing. All FAST activities were conducted remotely.

### **Core management and on-demand assistance**

The COVID-19 pandemic has not disrupted the operations of FAST-Task I. On the contrary, FAST has increased the work performed under this task with the elaboration of the COVID-19 impact tools. FAST management expects that this task will continue to be active if there is more demand from USAID missions to support their modeling efforts on the economic impact of COVID-19 lockdowns in their countries.

### **DRM training**

USAID contemplated two DRM trainings for FY 2020. As of the submission of this report, FAST has only supported a training in Pretoria in February 2020. The second training has been suspended indefinitely given the travel restrictions attributed to COVID-19.

### **Tax efficiency research**

No changes in this task attributed to COVID-19.

### **PFM for PES**

FAST FY 2020 workplan contemplated three assessments under this task: the Philippines, Peru, and the Dominican Republic. Due to the eruption of Taal volcano in January 2020, and the travel restrictions imposed by COVID-19, the assessment in the Philippines has been postponed indefinitely. FAST will conduct remote interviews with stakeholders in the DR starting in August 2020 and expects to conduct the assessment for Peru remotely starting in October 2020.

### **DRM and PFM assessment in Sudan**

There have been significant disruptions in this task due to COVID-19, civil unrest, electricity shortages, and government instability. The country has been in shutdown with limited access to the government personnel and infrastructure, so the information gathering process has been arduous.

FAST is developing a new approach to undertake the assessment, gain local knowledge and feedback, and produce as report meeting specifications.

### **Procurement reform in Kyrgyzstan**

COVID-19 has affected the roll-out of this task. FAST will have office space within the Department of Procurement, but meanwhile access to government buildings is restricted due to the emergency in country. FAST will collaborate remotely with counterparts to the extent possible to continue with the work.