

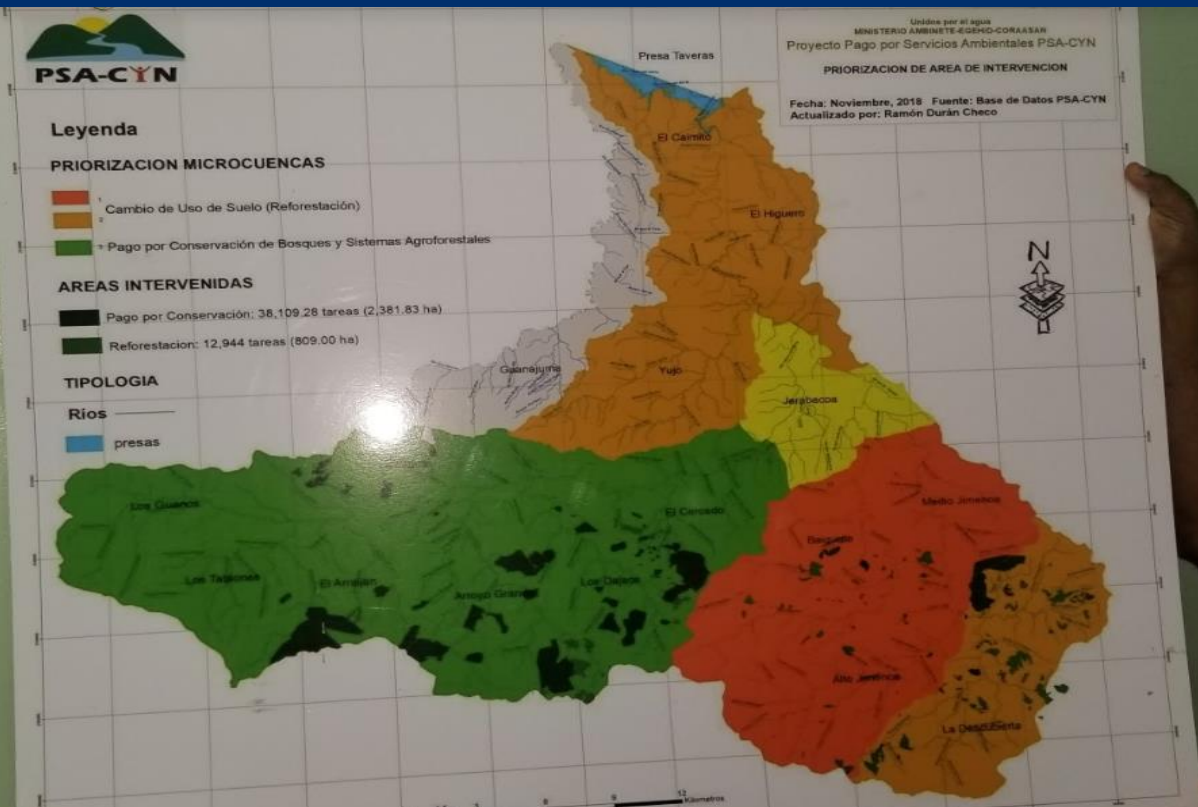


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QUARTERLY REPORT

Covering the period October 1, 2020 through December 31, 2020

Fiscal Accountability and Sustainable Trade (FAST)



Map of the priority area for the Pilot Project – Payment for Ecosystem Services, Cuenca Yaque del Norte, Dominican Republic.

Photo by Katerin Ramirez

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Covering the period October 1, 2020 through December 31, 2020

Fiscal Accountability and Sustainable Trade (FAST)

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Sponsoring USAID office:	The Bureau for Development, Democracy, and Innovation (DDI) and The Center for Economics and Market Development (EMD)
COR:	Theresa Stattel
ACOR:	Anton Kamenov
Chief of Party:	Mark Gallagher
Deputy Chief of Party:	Welmar Rosado
Contract No.	7200AA18D00010 Task No. 7200AA19F00015
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Acronyms

ADB	Asian Development Bank
AMEL	Activity Monitoring, Evaluation, and Learning
BITBEE	Bangladesh Improving Trade and Business Enabling Environment
CLTG	Civilian Led Transitional Government
COP	Chief of Party
COR	Contracting Officer Representative
CSO	Civil Society Organization
DCOP	Deputy Chief of Party
DDI	Bureau for Development, Democracy, and Innovation
DIFD	Department for International Development
DPP	Department of Public Procurement
EMD	The Center for Economics and Market Development
EC	European Commission
FAST	Fiscal Accountability and Sustainable Trade
FCDO	United Kingdom's Foreign Commonwealth and Development Office
FSR	Funding for Self-Reliance
FTA	Fiscal Transparency and Accountability
FTA	Free Trade Agreement
GSU	Georgia State University
GOK	Government of Kenya
ICT	Information Communication and Technology
IFC	International Finance Corporation
IMF	International Monetary Fund
MAPS	Methodology for Assessing Procurement Systems
MOF	Ministry of Finance
MOFEP	Ministry of Finance and Economic Planning
NBR	National Board of Revenue
NIWS	Natural Infrastructure for Water Security in Peru project
PFM	Public Financial Management
PFM for PES	Public Financial Management for Payment for Ecosystem Services
SARA	Semi-Autonomous Revenue Authority
SCP	Strategic Communications Plan
SEDAPAL	Water Utility Company of Lima
TCB	Trade Capacity Building
TPPR	Transparent Public Procurement Rating
UNCITRAL	United Nations Commission on International Trade Law
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USTR	United States Trade Representative
WB	World Bank

QUARTERLY REPORT

This quarterly report covers the period October 1, 2020 to December 31, 2020. It summarizes activities and results of the ongoing Fiscal Accountability and Sustainable Trade (FAST) project. It includes a discussion of progress against the work plan.

I. INTRODUCTION

FAST supports rapid, sustainable, and equitable economic growth in USAID-assisted countries. It enables 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. FAST supports 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.

FAST is demand driven, i.e., as requested by USAID and approved by the Contracting Officer Representative (COR). The FAST team provides the Bureau for Development, Democracy, and Innovation (DDI) and the Center for Economics and Market Development (EMD) 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 rapidly mobilizes to provide constructive technical assistance in PFM and trade to USAID missions and partner countries; is a training resource; and serves as a communication resource.

During the first quarter of FY 2021, FAST made progress on the Public Financial Management for Payment for Ecosystem Services (PFM for PES) tasks in the Dominican Republic and Peru; compiling a PES repository; assessing PFM and DRM in Sudan; tax benchmarking in Bangladesh; procurement reform in Kyrgyzstan; carrying out a TCB study in Kenya; and populating the Financing for Self-Reliance (FSR) tracker and repository.

Throughout the reporting period, FAST employed teleworking mechanisms while implementing social distancing. Most FAST activities were conducted remotely, while some local consultants have been able to operate from the field.

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.

Management and Reporting

FAST core management includes the Chief of party (COP) and the Deputy Chief of Party (DCOP), with access to a Trade Advisor, and project management support staff. The COP or DCOP report on all aspects in a weekly meeting with the COR and ACOR.

DevTech System, Inc. is the prime contractor with subcontractor support from Nathan Associates, Georgia State University (GSU), and The Economist Intelligent Unit. The COP and DCOP are DevTech staff and the Trade Advisor is a Nathan Associates staff member.

Table I lists reporting deliverables and program deliverables in effect during FY2021 and their status. Reporting deliverables are specified in the FAST contract and report on progress or work planning.

Program deliverables are established over execution of the annual work plan and based on specific approved activities.

Table I: Deliverables schedule and status

Deliverable	Task	Original due date	Revised due date	Status
Reporting Deliverables				
Second Year Work Plan	Core Management	08/15/2020	08/15/2020	Approved
Second Annual Report	Core Management	10/31/2021	10/31/2021	Approved
Program Deliverables				
Philippines assessment	PFM for PES	3/31/2020	Cancelled due to COVID-19. Will be reprogrammed.	
Peru assessment	PFM for PES	6/30/2020	TBD	In progress
Dominican Republic assessment	PFM for PES	9/30/2020	2/28/2021	In progress
Global report	PFM for PES	9/30/2020	TBD	COVID-19 delays
Final report - Sudan	PFM Sudan	Upon delivery	Draft submitted, 12/30/2021	Being revised
Final report - Kyrgyzstan	Procurement reform Kyrgyzstan	9/30/2022	9/30/2022	In progress
Final report - Bangladesh	Tax benchmarking assessment	10/30/2020	12/30/2020	Approved
Update 1	FSR tracker	10/30/2020	10/30/2020	Submitted
Update 2	FSR tracker	1/30/2021	2/26/2021	In progress
Final Report Kenya TCB	Kenya TCB	03/31/2021	TBD	In progress

II. WORKSTREAM 1: 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.

FSR Tracker

Purpose: FAST will update, expand, and revise the existing tracker to account for all USAID activities supporting the Agency's FSR initiative. FAST will establish a tracker to aggregate recurring reporting and lessons learned from the implementation of activities that contribute to FSR. FAST will also develop an Agency-wide repository of related activity documents. The tracker and repository will incorporate activities in the following five functional areas of FSR: domestic revenue mobilization, public financial management, fiscal transparency and accountability, enabling environment for private investment, and functioning financial markets.

Progress: To date, FAST has compiled information about 301 activities in the FSR tracker. FAST has also compiled documents related to these activities into the FSR repository. We expect to complete these activities in February 2021.

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

FAST worked on five tasks to support operating units under this workstream during this quarter. These are: PFM for PES, increasing government transparency and accountability in Sudan by supporting responsible government budget formulation and increased and equitable domestic revenue mobilization, effective public procurement for Kyrgyzstani taxpayers, and conduct a TCB assessment in Kenya. These tasks are discussed here.

PFM for PES

Purpose: Assess and provide design recommendations for PES programs through a public financial management lens to strengthen their effectiveness, efficiency, equitability, and transparency in use of funds. This task includes assessment in Peru, the Dominican Republic, and another country to be determined, as well as supports USAID/W. The task also includes providing support to the DDI, such as preparing a repository or writing blog articles.

Progress: FAST is currently conducting the PFM for PES assessment in the Dominican Republic, has laid grounds and conducted preliminary research on Peru, and is waiting for the determination of the third country to work in.

In the Dominican Republic the FAST team is evaluating the adequacy of the pilot PES project in the Cuenca Yaque del Norte River Watershed. This includes assessing the design, capacity, systems, and operations relative to principles of good PFM. This assessment will inform on the extent PES activities are perceived as equitable, effective, and efficient. It will also propose adjustments, corrective actions, or changes to enhance collection of fees and administration and allocation of revenues. This activity will produce lessons learned and recommendations for future PES activities in the Dominican Republic and elsewhere.

Activities to date in the Dominican Republic include: 1) reviewing background documents shared by colleagues at the PES office within the Ministry of Environment; 2) conducting interviews with the PES staff and other stakeholders; 3) visiting the field office to conduct verification of

documentation and review office practices; 4) interviewing sellers of environmental services (also called program beneficiaries); and 5) present preliminary findings to USAID/W and USAID/DR colleagues. Preliminary findings include the need to improve transparency in the receipt and disbursements of funds, and to improve the reliability of transfer of funds.

Activities to date in Peru include: 1) mobilizing the team, 2) compiling and analyzing publicly available documentation of the PES systems in Peru, and 3) participating in introductory meetings among FAST, USAID/W, USAID/Peru, and Natural Infrastructure for Water Security in Peru project (NIWS). FAST will analyze organizational alternatives to solve the bottlenecks that impede the use of USD 30 million earmarked for green infrastructure. These resources have been accumulated by the water utility company in Lima (SEDAPAL).

FAST had planned to assess the current PES projects in the Philippines but was delayed due travel restrictions caused by the eruption of Taal Volcano first, and COVID-19 restrictions later. These restrictions, in conjunction with the lack of digital infrastructure in the field make this assessment infeasible. USAID/W is reviewing alternative countries where this work might otherwise be carried out.

In parallel to the country work, FAST is compiling a PES document repository and has created an annotated bibliography. To date, the annotated bibliography comprises 86 entries and will substantially increase during the next few months.

Table 2 is the schedule for activities and progress milestones.

Table 2: Schedule for PFM for PES

Activity	Estimated Dates	Progress
Dominican Republic Assessment	July 2020– February 2021*	Ongoing assessment
Peru Assessment	January – May 2021*	In progress
TBD Country Assessment	TBD*	Postponed
Other overall supporting activities, such as repository and responding to queries	June 2020-TBD	In progress
Final report on activities	September 2021*	Postponed
* Deliverable		

DRM and budget formulation in Sudan

Purpose: Provide a foundation for informed decision making related to investing in Sudan to support DRM and improved budget formulation. FAST will conduct an independent and objective assessment of the context and rationale for assistance to the Civilian Led Transitional Government (CLTG) in Sudan. This will enhance DRM and budget formulation and provide USAID a menu of options for programming in these areas.

Progress: During the reporting period, the FAST team analyzed documents, statistical data, and news items. The team also held several consultations and met with USAID staff leadership in both Washington DC and Khartoum office. The team met with representatives of various donor agencies. These agencies are: 1) United Kingdom’s Foreign Commonwealth and Development

Office (FCDO)¹, 2) the International Monetary Fund (IMF), 3) the World Bank (WB), and 4) United Nations Development Programme (UNDP). In addition, the team also held consultations with 1) a WB funded advisor at the Ministry of Finance and Economic Planning (MOFEP), 2) a policy advisor from the Ministry of Labor and Social Development, and 3) two former State Secretaries of Finance, as well as 4) a private sector interlocutor active in public finance in Sudan.

On October 29, 2020 the FAST team presented to USAID/W its findings and assessment results to date and took comments. At that point, we had completed Phase I of the program and then moved on to Phase II.

FAST developed a comprehensive report which provides an overview of the economic, social and political challenges in Sudan. It also provides several immediate- and long-term reform recommendations. Table 3 contains the recommendations of our assessment.

Table 3: Sudan - DRM and budgeting task recommendations

Area	Recommendation
Budgeting	Build staff capacity and reorganization of the MOFEP
	Reform budget formulation process
	Strengthen expenditure control
	Reform public procurement system
	Provide technical assistance to strengthen legislative oversight
	Draft a new PFM law
	Switch to a multi-year budgeting framework
	Improve fiscal transparency
	Foster public-private dialogue and citizens engagement
	DRM
Comprehensive review of tax legislation	
Simplify tax regime	
Improve tax transparency	
Simplify business processes	
Implement information communication and technology (ICT)	
Provide guidance on establishing an efficient, effective, and accountable Semi-Autonomous Revenue Authority (SARA)	

The report also outlines several immediate term reform priorities that are essential to strengthen budget formulation processes and improve DRM in Sudan. They include the need to hold further consultations with the government on PFM and DRM reforms and facilitating a dialogue with private sector and civil society organizations (CSOs) and other stakeholders. A draft final report was submitted for USAID’s review on December 30, 2020. The final report will incorporate views and feedback from USAID and will be delivered in January 2021.

¹ Formerly referred to as Department for International Development (DIFD).

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. These changes will improve transparency and reduce corruption. The FAST team works with the Ministry of Finance's Department for Public Procurement (DPP), State Committee on Information Technology, and media and civil society groups. In particular, this effort supports digitalization of public procurements to increase transparency, reduce corruption, and enable civic oversight and participation at the budget planning and execution phases.

Progress: During the reporting period, FAST team completed a scoping study. This study involved the identification of information sources, the collection of documents and reports, interviewing key informants and stakeholders, and data analysis. The scoping study was conducted remotely. It includes recommendations for improving efficiency and transparency in the public procurement system and improving civic engagement in the monitoring of public procurement. These recommendations include the need for reforming the legal framework, strengthening procurement processes and the internal control framework, upgrading the electronic public procurement portal, and improving transparency and accountability. This report was submitted to USAID/Kyrgyzstan in December 2020.

FAST also initiated the detailed assessment of the public procurement system. This entails a comparison of the public procurement law with the United Nations Commission on International Trade Law (UNCITRAL) Model Law, an assessment of the Transparent Public Procurement Rating (TPPR), and the Methodology for Assessing Procurement Systems (MAPS). The assessment will outline gaps in the legal and regulatory framework and score the public procurement system against international best practices.

During the reporting period, FAST conducted a four-day long co-creation work planning workshop with the DPP. The workshop resulted in the identification of specific technical assistance interventions that will be implemented over the remaining life of the project. These interventions are: 1) technical assistance aimed at improving technical capacity of the DPP and other procurement entities to conduct efficient procurement operations; 2) technical assistance to the CSOs to better enable their participation in tenders' oversight as well as build their capacity to better understand public procurement operations; and 3) capacity building of both the DPP and procurement entities' staff to efficiently and transparently conduct public procurement operations.

The team submitted a draft comprehensive workplan to USAID/Kyrgyzstan on December 31, 2020 for feedback and inputs. FAST team began developing an Activity Monitoring, Evaluation, and Learning (AMEL) plan and Strategic Communication Plan (SCP). The AMEL plan and SCP will help the team track progress on specific project indicators, including those that particularly pertain to FSR, and ensure that results and outputs are appropriately published and disseminated. FAST will place two additional local staff members (Procurement Specialist and IT Systems Expert) in January 2021.

Bangladesh Tax Modernization Assessment

Purpose: Provide USAID a foundation for informed decision making related to investing in Bangladesh to support FSR and DRM. FAST experts will independently and objectively identify opportunities to support Bangladesh in FSR in general, and DRM in particular. These opportunities could include new standalone activities, or interventions that support existing Mission activities, whether directly or indirectly.

Progress: The team produced two products: tax benchmarking and a political economy analysis. Tax benchmarking is a tool that USAID and others have employed for more than a decade to evaluate tax revenue performance, tax administration structure, processes, resources, and other factors in an internationally comparative context. The tax benchmarking is meant to serve both the needs of the National Board of Revenue (NBR) and, more widely, the Government of Bangladesh, as well as USAID and the donor community as they contemplate providing technical or other support to enhance DRM. The political economy analysis, meant exclusively for USAID programming purposes, provides recommendations about the feasibility of supporting DRM, how such support might be most useful, and the risks related to such reform.

The first step in the work was the “Bangladesh Tax System from 30,000 Feet” analysis, produced in an earlier quarter. Next, the team collected and analyzed information from various sources, including, *inter alia*, the IMF, the WB, the MOF and National Bureau of Revenue (NBR). The team held several consultations with MOF staff and members of the NBR and held virtual meetings with at least 18 senior officials. In addition, the team met with staff from the Policy Research Institute of Bangladesh, the Asian Development Bank (ADB), European Commission (EC), International Finance Corporation (IFC), USAID/Bangladesh, USAID-funded Bangladesh Improving Trade and Business Enabling Environment (BITBEE) project, and representatives from the private sector.

The effort resulted in a comprehensive benchmarking of the Bangladesh tax system. The report provides several immediate- and medium- to long-term recommendations to improve the revenue system. These recommendations are in table 4.

Table 4: Bangladesh - recommendations

Area	Recommendation
Tax Administration	Need for a modernization plan
	Re-define the role, status, and regulatory power of the NBR
	Restructure the NBR by function and size
	Centralize corporate services into a single department
	Develop compliance risk management plan
	Strengthen research and analytical capacity
	Business process re-engineering
	Separate tax policy from tax administration
	Strengthen taxpayer services
Tax Policy	Recommendations for income tax
	Recommendations of property tax
	Recommendations for value added tax
	Recommendations for supplementary duties and excises
	Recommendations for customs (immediate-, medium-, and long-term)

A de-briefing session was held on December 14 with senior management and representatives from the NBR, which was also attended by USAID/Bangladesh. FAST team reviewed comments from the December 14 meeting, revised the draft, then finalized and submitted to the Activity

Manager in USAID/Bangladesh. FAST COP and Activity Manager held subsequent meetings to discuss follow-on activities, such as further presentations.

Kenya Trade Capacity Building Assessment

Purpose: Identify Kenya’s overall ability to negotiate and implement a comprehensive, high-standard, free trade agreement with the United States. This includes the identification of existing gaps and recommendations to develop a trade capacity building (TCB) strategy to ensure the successful negotiation and implementation of a U.S.-Kenya Free Trade Agreement (FTA). The FTA will be considered by the Government of Kenya (GOK), USAID, and key U.S. Government departments and agencies. This assessment will include identification of short- to long-term technical assistance needs in the areas of trade policy, trade-related sector policy, financial, institutional and human capacity, and a proposed TCB plan. The plan will have well-defined priorities and related estimated costs, that will assist the GOK to enhance the likelihood of successful negotiation and implementation of the Kenya-U.S. FTA.

Progress: FAST assembled a team of 15 experts with sufficient specializations to cover all aspects that might be included in an FTA. The team held kick-off meetings with USAID/W, USAID/Kenya, Office of the United States Trade Representative (USTR), and the Kenya Negotiation Team. The FAST team prepared and distributed the project inception report. This report contains background information about the status of trade in Kenya, emphasizing the characteristics of trade between Kenya and the United States. The report includes a detailed methodological approach to conduct the assessment, including research questions and the identification of key stakeholders that will inform the work. Finally, the report lists the areas to be included in the final assessment, the experts who will oversee each area, and next steps and timeline for the three months. Table 5 is the schedule for the Kenya TCB activity. The team delivered the inception report to USAID Activity Managers on December 24, 2020.

Table 5: Schedule for Kenya TCB

Activity	Estimated Dates	Progress
Inception Report	December 24, 2020	Delivered
Bi-weekly progress report presentation	January-March 2021	In progress
Draft FTA Readiness Assessment Report	March 19 th , 2021	Not yet started
Final FTA Readiness Assessment Report*	March 31 st , 2021	Not yet started
* Deliverable		