



USAID
FROM THE AMERICAN PEOPLE



Building Fiscal Infrastructure in Post- Conflict Societies Presentation to the Economic Growth Workshop October 2007

Mark Gallagher
Fiscal Reform and Economic Governance Project
www.fiscalreform.net



USAID
FROM THE AMERICAN PEOPLE

Objectives

- Learn general experiences to improve USAID programming of fiscal reform efforts in post-conflict societies
- Consider issues of sequencing and priorities



USAID
FROM THE AMERICAN PEOPLE

Outline

- Technical areas
- Country cases:
 - Afghanistan, Angola, Bosnia, El Salvador, Guatemala, Kosovo, Liberia
- Commonalities
- Recommendations and sequencing



USAID
FROM THE AMERICAN PEOPLE

Technical areas

- Tax policy and tax administration
- Customs modernization
- Public expenditure systems and treasury
- Receipts management
- Fiscal policy capabilities
- Transparency and reporting





USAID
FROM THE AMERICAN PEOPLE

Country cases

- Afghanistan
- Bosnia and Herzegovina
- El Salvador
- Guatemala
- Kosovo
- Liberia
- Angola (explain the position)



USAID
FROM THE AMERICAN PEOPLE

Afghanistan

- Starting from very low levels, revenues under Taliban came to about \$90 million, today \$500 million, recent years growing 5% per year.
- Building modern tax administration and customs
- Controls on spending
- Built macro-fiscal policy unit
- Disjointed budget (current vs capital)
- Economy stable and growing, pc GDP has doubled



USAID
FROM THE AMERICAN PEOPLE

Bosnia and Herzegovina

- Lots of focus on improving revenues through administration only, tardy on tax policy
- Disbanded the Payment Bureaus, implemented new receipts system and new treasury system
- “single economic space”
- Introduced VAT at “State Level”
- New transfer systems
- Very cynical and little trust
- Very rapid growth at first, now at “normal” rates



USAID
FROM THE AMERICAN PEOPLE

El Salvador

- Cool receipts system by USAID/MOST
- Market oriented tax reform, accompanied with tax and customs admin reform, very successful
- IFMIS and budgeting systems reforms
- Peace dividend on expenditure side helped.
- Sense of recovery, get on with business, embracing change
- Economy tanked during war and had fast growth for a few years after peace. Now muddling like rest of LAC



USAID
FROM THE AMERICAN PEOPLE

Guatemala

- Fiscal Pact – and polarization
- Created the SAT, a SARA
- IFMIS and budgeting reform
- Rapid but insufficient reform of government spending for peace, social services, and rural development
- Economy muddles along, no take off and no real decline before peace.



USAID
FROM THE AMERICAN PEOPLE

Kosovo

- Tabula rasa
- Central Finance Agency – MINFIN
- Expats ran many ministries
- Continues to have weak tax admin.
- Never had an economic “bounce”



USAID
FROM THE AMERICAN PEOPLE

Liberia

- NTGL - After Taylor, looted the place
- GEMAP and donor coordination
- Really cool receipts system
- SOEs, little for Customs and almost nothing for Tax Admin.
- Customs and tax revenues growing in leaps and bounds – compare to Afghanistan
- Great optimism but little second round “bounce”



USAID
FROM THE AMERICAN PEOPLE

Angola

- Completely different set of situations
- Oil \$\$\$\$\$\$
- Weak institutions for planning, tax admin, information
- Unable to execute the budget
- Unable to spend enough on infrastructure
- Closed society, fear or suspicion
- Economy is growing like crazy: concerns for using these resources and using them well



USAID
FROM THE AMERICAN PEOPLE

Commonalities 1

- High spending demand
- Weak revenue systems
- Lost tax bases and high informality
- Insufficient control on revenues and expenditures
- Lack or loss of capable people



USAID
FROM THE AMERICAN PEOPLE

Commonalities 2

- Trust not there
- Politics is everywhere (except Angola)
- Corruption, top and bottom
- Donor coordination important, done well in Liberia, Bosnia +/-, Kosovo (could have been better)





USAID
FROM THE AMERICAN PEOPLE

Recommendations 1

- Diversity and need for country-specific knowledge
- Control receipts
- Control expenditures – and develop treasury
- Focus on indirect taxes first, for biggest revenues
- Customs before domestic taxes: secure the boarder



USAID
FROM THE AMERICAN PEOPLE

Recommendations 2

- Have good understanding of fiscal policy issues
- Need holistic view
- Try to build trust, include civil society
- Short vs long term policies
- Bounce



USAID
FROM THE AMERICAN PEOPLE

	Urgent	Immediate	Intermediate	Consolidating
Expenditure control				
Receipts management				
Indirect tax control				
Direct tax control				
Fiscal policies capacity				
Economic and fiscal statistics				
Reform of tax policy				