



Technical Assistance Subproject Report

Project Number: 55130-002
Knowledge and Support Technical Assistance (C-KSTA)
July 2021

Fiscal Policy for Green and Inclusive Development Subproject 1: Revenue Mobilization for Green and Inclusive Development

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
BEPS	–	base erosion and profit shifting
COVID-19	–	coronavirus disease
DMC	–	developing member country
DOC	–	Department of Communications
ERCD	–	Economic Research and Regional Cooperation Department
ERMR	–	Macroeconomics Research Division
EROD	–	Office of the Chief Economist and Director General
G20	–	Group of Twenty
OECD	–	Organisation for Economic Co-operation and Development
SDG	–	Sustainable Development Goal
TA	–	technical assistance

NOTE

In this report, "\$" refers to United States dollars.

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KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 55130-002	
Project Name	Fiscal Policy for Green and Inclusive Development Subproject 1: Revenue Mobilization for Green and Inclusive Development	Department/Division	ERCD/EROD
Nature of Activity Modality	Research and Development Subproject	Executing Agency	Asian Development Bank
Country	Regional		
2. Sector		ADB Financing (\$ million)	
Public sector management	Public expenditure and fiscal management		0.30
		Total	0.30
3. Operational Priorities		Climate Change Information	
✓ Accelerating progress in gender equality		GHG Reductions (tons per annum)	0.000
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		Climate Change impact on the Project	Low
✓ Strengthening governance and institutional capacity		ADB Financing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
		Cofinancing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 12.c		Some gender elements (SGE)	✓
SDG 16.7			
SDG 17.1		Poverty Targeting	
		General Intervention on Poverty	✓
4. Risk Categorization	Risk Categorization does not apply		
5. Safeguard Categorization	Safeguard Policy Statement does not apply		
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.30	
Knowledge and Support technical assistance: Technical Assistance Special Fund		0.30	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.30	
Currency of ADB Financing: US Dollar			

I. THE TECHNICAL ASSISTANCE SUBPROJECT

A. Overall Progress of the Technical Assistance Cluster

1. The cluster knowledge and support technical assistance (TA) on Fiscal Policy for Green and Inclusive Development was approved by the President on 11 July 2021 to support green and inclusive development – advancing economic, social, and environmental objectives – in developing Asia. The TA cluster has two subprojects and is financed by ADB on a grant basis, from the ADB's TA Special Fund (TASF). The TA cluster is included in the current ADB Management-approved annual work program of ERCD.¹

B. Subproject Outcome

2. The cluster TA will have the following outcome: knowledge on strengthening revenue mobilization, public expenditure effectiveness, and fiscal management enhanced.² Subproject 1 will contribute to the cluster TA's overall outcome by producing knowledge products that provide a platform for an improved understanding of the fiscal landscape in developing member countries (DMCs), including the potential impact of the coronavirus disease (COVID-19) pandemic, and how revenue mobilization can be strengthened to contribute to green and inclusive development. The TA will produce the following outputs to help DMCs across the region address a range of core fiscal policy challenges as they emerge from the pandemic. At least seven research studies will be produced, each providing an in-depth analysis of specific aspects of fiscal policy design and challenges in developing Asia, with a focus on strengthening tax revenues. Together, these studies will provide a fresh knowledge base on pertinent fiscal challenges in DMCs.

C. Subproject Outputs, Methods, and Activities

3. **Output 1: Research addressing revenue mobilization carried out.** The DMC fiscal landscape will be assessed, including the early impact of COVID-19. The research will diagnose the region's tax systems to identify their salient weaknesses and priorities to lift revenues, with fresh empirical evidence on tax revenue potential. Threats to revenue mobilization from informality, tax incentives, and structural changes, including digitalization, will be assessed. To help DMCs optimize tax incentives, their fiscal cost and effectiveness will be reviewed, drawing on the literature and tax incentive estimates, alongside less costly alternative policies. The analysis will examine the adverse revenue implications of large informal sectors and options for bringing more of the informal sector into the tax net. Taxation of the digital economy will be researched to examine the threat from base erosion and profit shifting (BEPS) and how this can be addressed through regional cooperation, building on the Group of Twenty (G20)/Organisation for Economic Co-operation and Development Inclusive Framework on BEPS, and domestic reforms.

4. The merits and feasibility of alternative taxes, including environmental and sin taxes, and other fiscal instruments, will be assessed. The research will also delve into how tax policies can promote equity, considering potential efficiency and equity tradeoffs. Given the political challenges associated with fiscal policy reform, the TA will examine lessons from successful reform episodes for DMCs to identify the factors contributing to success. The project team will consult with ADB's regional departments and thematic or sectoral groups to refine these topics and/or identify other topics on pressing fiscal issues confronting DMCs, as appropriate. Analyses of other fiscal policy issues may also be undertaken in response to ADB Management needs.

¹ The TA cluster first appeared in the business opportunities section of ADB's website on 14 May 2021.

² The design and monitoring framework is in Appendix 1.

5. To supplement ERCD research, the TA subproject will commission research papers on the topics in collaboration with leading scholars. Innovative research methods will be explored, drawing on the latest empirical approaches and insights from emerging fields such as behavioral public finance and data science. To improve the analytical rigor and policy relevance of the studies, workshops and conferences will be organized where initial drafts of the research papers will be presented and experts will be invited to review and comment on the drafts. The papers will support the preparation of the Asian Development Outlook (ADO) 2022 theme chapter. The papers may also be published on ADB websites as working papers and/or policy briefs or journal publications, as appropriate.

6. To further disseminate insights from the research studies, internal and external launches relating to the ADO 2022 theme chapter will be held in collaboration with ADB's Department of Communications and other departments, as appropriate. The ADO 2022 theme chapter will be disseminated following the usual process of disseminating the ADO. Digital platforms will be used for dissemination include ADB's official website, social media, blogs, infographics, and other online knowledge-sharing sites. The TA subproject will support Output 1 of the overall TA cluster.

D. Subproject Cost and Financing

7. The TA subproject is estimated to cost \$300,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The key expenditure items are listed in Appendix 2.

E. Subproject Implementation Arrangements

8. ADB will administer the TA subproject, with the Office of the Chief Economist and Director General (EROD) and the Macroeconomics Finance Research Division (ERM) of ERCD being directly responsible for its administration, engagement, and management of consultants, procurement of equipment and software, and achievement of the TA outputs. Adhering to the "One ADB" approach in knowledge solutions, EROD and ERM will draw on expertise and knowledge from other ERCD units and ADB departments. This includes the Department of Communications' media expertise; and the Sustainable Development and Climate Change Department and Office of Anticorruption and Integrity with regards to various tax issues. EROD-ERM will also coordinate with ADB's regional and thematic departments to refine the research topics, identify methodologies, and firm up the research analyses, as appropriate. For possible research collaboration and dissemination activities, the TA will also explore and partner with reputable regional or global research institutions, as appropriate.

9. Implementation arrangements are summarized in the table.

Subproject Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period ^a	July 2021–September 2022		
Executing agency	ADB		
Implementing agencies	EROD-ERM		
Consultants	To be selected and engaged by ADB		
	Individual: individual selection	International expertise (20 person-months)	\$241,500

Aspects	Arrangements		
	Individual: individual selection	National expertise (14 person-months)	\$26,500
Procurement ^b	To be procured by ADB		
	Request for quotation	2 contracts	\$1,000
Disbursement	Disbursement of TA resources will follow ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).		
Asset turnover or disposal arrangement upon TA completion	Upon TA completion, any procured equipment will be disposed of in compliance with Administering Grant-Financed Technical Assistance Projects in the Project Administration Instructions ^b		

ADB = Asian Development Bank, ERMR = Macroeconomics Research Division, Economics and Regional Cooperation Department, EROD = Office of the Chief Economist and Director General, TA = technical assistance.

^a The implementation period starts from the expected month of commitment or signing.

^b Procurement Plan (accessible from the list of linked documents in Appendix 3).

Source: Asian Development Bank.

10. **Consulting services.** Individual consultants and resource persons will be recruited through individual consultant selection methods to provide international and national consulting. ADB will engage the consultants following the *ADB Procurement Policy* (2017, as amended from time to time) and the associated project administration instructions and/or staff instruction.³ Hiring a team of individual consultants will be more beneficial for ADB than engaging a firm because it is faster to mobilize and coordinate individual consultants, particularly for responding quickly to the needs of ADB Management and developing member country policymakers on ad hoc data and research work. This approach will also allow greater flexibility to engage experts with specialized knowledge who will most likely be associated with various research institutions, think tanks, and universities.

11. Individual consultants will be recruited as needed for the duration of the TA to provide an estimated 20 person-months of international consulting inputs and 14 person-months of national consulting inputs.⁴ The TA subproject will require international consultancy from economists and sector specialists who will prepare analyses on the selected topics related to revenue mobilization. International economic advisory will be required to provide expert guidance on various aspects of the TA and review research outputs, as needed. National economic consultants and research assistants will be required to assist with data management and to conduct research on particular topics. Copy editors, typesetters, and proofreaders will be engaged for the publication of the research papers.⁵ Resource persons will be engaged for a maximum of 33 working days to serve as peer reviewers and presenters and/or discussants during workshops.

12. **ADB's procurement.** The purchase of equipment (computer hardware and software) and statistical databases will follow the *ADB Procurement Policy* (2017, as amended from time to time) and *Procurement Regulations for ADB Borrowers* (2017, as amended from time to time). Where applicable, the TA team will coordinate with ADB's Information Technology Department and Corporate Services Department in the purchase of the equipment.⁶ Disbursements under this TA will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2020, as amended from time to time). After the TA is completed, the TA team will dispose of any procured

³ ADB will consider lump-sum payments, output-based contracts, and framework contracts for consulting services.

⁴ The Terms of Reference for Consultants are accessible from the linked document in Appendix 3.

⁵ Non-consulting services contracts will be used as appropriate.

⁶ Procurement Plan is accessible from the list of linked documents in Appendix 3.

equipment in compliance with the project administration instructions on administering grant-financed TA projects.⁷

13. **Social media and websites.** The TA will regularly disseminate resulting knowledge products via the ADB website and social media.

⁷ ADB. 2013. Administering Grant-Financed Technical Assistance Projects. *Project Administration Instructions*. PAI 5.09. Manila.

SUBPROJECT DESIGN AND MONITORING FRAMEWORK

Impact the TA is Aligned with Fiscal policy for green and inclusive development better leveraged in DMCs ^a			
Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
<p>Outcome</p> <p>Knowledge on strengthening revenue mobilization, public expenditure effectiveness, and fiscal management enhanced</p>	<p>By 2022,</p> <p>a. At least 80 citations of TA studies in external publications, including media reports (OP 3.1.2, OP 6.1.1)</p> <p>b. 75% of at least 100 participants (at least 25% women) in conferences and other dissemination activities report improved knowledge and capacity (in terms of quality, depth, range) in DMC's fiscal policy analytical work (OP 2.3, OP 3.1.2, OP 6.1.1)</p>	<p>a. Web searches for scholarly literature (e.g., Google Scholar, IDEAS/RePEc, and ADB website); DOC's media monitoring report</p> <p>b. BTORs; TA consultant reports; surveys and event attendance records</p>	<p>R: DMC stakeholders lack commitment and interest in absorbing research findings and recommendations, and seeking opportunities to leverage knowledge to strengthen policies.</p> <p>A: DMC stakeholders are engaged in TA research priorities.</p>
<p>Outputs</p> <p>1. Research addressing revenue mobilization carried out</p>	<p>By 2022,</p> <p>1a. At least seven studies completed and published as ADO 2022 background papers, working papers, and policy briefs (2020 baseline: NA) (OP 6.1.1)</p> <p>1b. A total of at least 2,000 downloads recorded for TA-related outputs including ADO 2022 theme chapter and background papers, working papers, and policy briefs (2020 baseline: NA)</p>	<p>1a. TA reports and list of published knowledge products</p> <p>1b. ADB web statistics</p>	<p>R: Unforeseen circumstances that may delay access to fiscal data and other information</p>
<p>Key Activities with Milestones</p> <p>1. Research addressing revenue mobilization carried out.</p> <p>1.1 Hiring of consultants (Q3-Q4 2021)</p> <p>1.2 Collect and organize data, and draft research papers (Q1 2022)</p> <p>1.3 Review, edit, and finalize research studies (Q2 2022)</p>			

1.4 Publish research as background papers to the Asian Development Outlook 2022 and conduct dissemination activities (Q2-Q3 2022)

1.5 Produce working papers, blogs and policy briefs (Q3 2022)

TA Management Activities

Hiring of consultants (July 2021–December 2021)

Procurement of information technology equipment and software (schedule to be determined)

Inputs

ADB: \$300,000

A = assumption, ADB = Asian Development Bank, ADO = Asian Development Outlook, BTOR = back-to-office report, COVID-19 = coronavirus disease; DMC = developing member country, DMF = design and monitoring framework, NA = not available, OP = operational priority, Q = quarter, R = risk, RePEc = research papers in economics, TA = technical assistance.

^a ADB. 2019. *Operational Priority 6: Strengthening Governance and Institutional Capacity*. Manila. Available at <https://www.adb.org/documents/strategy-2030-op6-governance>.

Contribution to Strategy 2030 Operational Priorities:

The expected values and methodological details for all OP indicators to which this TA will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 3 of the TA report). In addition to the OP indicators tagged in the DMF, this TA will contribute results for

OP 6.2 Entities with improved service delivery

Source: Asian Development Bank.

SUBPROJECT COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
A. Asian Development Bank^{a b}	
1. Consultants ^c	
a. Remuneration and per diem	
i. International consultants	241.5
ii. National consultants	26.5
b. Out-of-pocket expenditures	
i. International and local travel	10.0
2. Printed external publications ^d	2.0
3. Goods (rental or purchase) ^e	1.0
4. Training, seminars, workshops, forum, and conferences ^f	6.0
5. Miscellaneous technical assistance administration cost ^g	2.0
6. Contingencies	11.0
Total	300.0

ADB = Asian Development Bank.

Note: The technical assistance (TA) is estimated to cost \$300,000, of which contributions from the Asian Development Bank are presented in the table.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources).

^b Administered by the Asian Development Bank.

^c Lump-sum payments, output-based contracts, and framework contracts will be considered for engaging consulting services.

^d Digital and print publication costs of studies and/or reports, including payments to non-consulting service providers (typesetters, translators, proofreaders, page-proof checkers, and overtime pay for Printing Unit contractual personnel). Publications will be printed for a specific group of requestors on demand only.

^e Includes information technology equipment, software, and survey/study data. The procurement of goods will be purchased in accordance with the *ADB Procurement Policy* (2017, as amended from time to time) and the associated staff instructions, and in coordination with ADB's Information Technology Department and Corporate Services Department, where applicable.

^f Includes (i) travel expenses and per diem of ADB staff as resource persons in dissemination activities or speakers in international conferences and/or forums to present technical assistance results; (ii) travel expenses and per diem of ADB staff to provide support services in implementing and administering workshops; (iii) honoraria, per diem, and other travel-related expenses of resource persons; (iv) venue rental and related facilities; (v) relevant costs including representation expenses; (vi) costs of meals and snacks served during training sessions, workshops, or conferences for all participants, including ADB staff participants; and (vii) other related costs. Expenses will be incurred in accordance with ADB (Budget, Personnel, and Management Systems Department; and Strategy and Policy Department). 2013. *Use of Bank Resources: Regional Technical Assistance and Technical Assistance vs. Internal Administrative Expenses Budget. Memorandum*. 26 June (internal).

^g Includes data support, software licenses, subscription to data and information services, and other expenditures that may arise in the course of the TA implementation that the other cost categories in the financing plan do not cover, e.g. mailing and shipping of documents, and bank charges.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=55130-002-TARreport>

1. Terms of Reference for Consultants
2. Procurement Plan