



WORKSHOP REPORT

8-9 August, 2010

Hotel Furama City, Singapore

GOVERNANCE INSTITUTES NETWORK INTERNATIONAL

House 21, Street 56, Sector F-6/4 Islamabad 44000 – Pakistan
Tel: (92-51) 287 65 12 / 287 03 22 Fax: (92-51) 287 65 14
E-mail: info@giniweb.net or mail@giniweb.net Website: www.giniweb.net

Table of Contents

Day 1 – 8th of August, 2010	1
Session I: Political economy of tax regimes in South Asia	2
Session II: Recent and upcoming fiscal reforms in South Asia	6
Session III: Fiscal federalism and decentralization in South Asia	11
Day 2 – 9th of August, 2010.....	17
Session IV: Presentation of Methodologies by Thematic Work Groups	17
Session V: Development of Integrated Proposal	20
Session VI: Organization & Planning	22
Annex I: Participating Institutions and Personnel.....	23
Annex II: Workshop Agenda.....	29

GINI-IDRC Workshop for Collaborative Research on South Asia Tax Systems Workshop Report

Singapore, 8-9 August, 2010

Day 1 – 8th of August, 2010

Inaugural Address by Evan Due, Ph. D.

Senior Program Specialist

International Development Resource Centre (IDRC), Canada

He thanked GINI and particularly Mr. Daniyal Aziz for holding the Workshop in Singapore making it a neutral and convenient venue for all participants. He introduced IDRC as a public owned corporation of the Canadian government, run by a Board composed of international members making them accountable to all stakeholders. He provided a brief background to the Workshop, explaining that IDRC had a long-standing relationship with GINI having previously funded research on fiscal issues through the Pakistan-based NGO. He related his Foreign Service experience throughout South Asia which made him well known to the regional research community, in particular the institutes represented at the Workshop. He emphasized the regional scope of IDRC research funding, and looked favorably on GINI's expansion of their earlier Pakistan-specific proposal toward a South Asia perspective, which had led to the proposal approved for this Workshop.

He informed the participants that their Globalization, Growth and Poverty (GGP) program under which research work relating to Fiscal Policy and Accountability themes was funded, would be replaced by a new prospectus. IDRC would soon be shifting to the new prospectus which may or may not carry the same substantive focus forward. It was therefore uncertain whether the envisaged regional network and collaborative research could be funded by IDRC. But he hoped that given the importance of the Workshop in its own right, and the potential of the proposed research IDRC could provide some financial support as well as broker funding arrangements with other donors. He stressed that the research agenda outlined touched issues critical to both policy and institutional imperatives, which were traditionally overlooked by academic research. In closing, he thanked Mr. Daniyal Aziz and his team for their efforts, welcomed all participants to Singapore and wished them a productive Workshop.

Keynote Address by Daniyal Aziz

Advisor, Governance Institutes Network International (GINI), Pakistan

He welcomed all participants to the Workshop, thanked them for their attendance and invited them to briefly introduce themselves. He noted the world-renowned expertise from South Asia as well as Western intelligentsia that was gathered in the room, representing both government and academic sectors. He said that an evidence-based approach to policy analysis and formulation was essential to solving the fiscal problems facing governments of the region, and the proposed research was intended to fill this need. He said that GINI had extensive experience in building and managing research networks. Memorandums of Understanding (MoUs) signed between collaborating institutes served as the organizing instrument which allowed the flexibility necessary to circumvent bureaucratic procedures. He closed by saying that the chief objective of the Workshop was to allow GINI to develop an integrated proposal for collaborative research, based on inputs from all participants which would be submitted to IDRC and other donors for resource mobilization.

Session I: Political economy of tax regimes in South Asia

Co-Chaired by:

- **Mr. Sartaj Aziz, Vice Chancellor, Beaconhouse National University, Pakistan**
- **Dr. Govinda Rao, Director, National Institute of Public Finance and Policy, India**

*Presentation by Dr. Shabbir Cheema,
Director Asia-Pacific, East-West Center, USA*

He began by saying that despite growth, entrepreneurship and innovation in South Asia, the region faced poverty and lack of human development. Tax regimes were the key instrument for building effective states to tackle these challenges, as affirmed by international experiences. Political economy perspectives provide a better understanding of the interests and influences at play.

In this regard, he presented a conceptual framework highlighting the dynamics between 4 key factors and their impact on tax regimes. First, formal and informal lobbies (including importers/exporters, consumer-groups, land-owners, etc.) engaged in rent-seeking driven by political and economic interests. Second, the extent and nature of influence that these lobbies exerted over policy processes determined their welfare effects and focus. Third, various political factors affected policies and institutional arrangements for fiscal federalism and decentralization. They included the shared colonial legacy of South Asia states, the role of political organizations in mediating class and interest-group conflicts, and the contested notions of autonomy for lower tier governments. Fourth, the governance capacity for political management was vital for successful tax reforms – in articulating the need for reform, clarifying national policies, coordinating agencies, mobilizing political support, delivering services, and administering reform efforts on ground.

*Presentation by Dr. Saumen Chattopadhyay,
Associate Professor, Jawaharlal Nehru University (JNU), India*

He began by highlighting the political dimension of tax policy and opined that tax administration was equally important and reflected the level of political will behind policies enacted. He said that Indian tax collection was low, suffering from a narrow tax base, low compliance rates and widespread poverty. Despite broad-based consultations with stakeholders and strong media presence, narrow interests are commonly served through policy distortions. This results in anomalies such as a regressive effective Corporate Income Tax and approximately 80% of total tax revenue foregone through tax expenditures in 2009-10.

Current policy goals include fostering voluntary tax compliance through reduced rates, expanding the base through a computerized Tax Information Network (TIN), and withdrawing exemptions under the Direct Tax Code to be introduced from April 2011. This however, may not be feasible, given that withdrawal of concessions would be unpopular among taxpayers. Reduced rates would decrease effective tax burden jeopardizing fiscal consolidation. At the same time, tax administration is unable to curb high evasion levels, driven by a nexus between the bureaucracy, their political masters and the business class with an increasingly negative role played by tax consultants. The implementation of indirect tax reform faces similar political difficulties with the encroachment of States' fiscal autonomy a hotly contested issue.

In sum, insulation from political rent-seeking is not guaranteed, voluntary compliance remains a questionable policy goal, tax administration needs to be made more transparent and effective, while greater reliance on Direct Taxes needs to be emphasized particularly with regard to the middle class.

*Presentation by Dr. Khalida Ghaus
Managing Director, Social Policy and Development Centre (SPDC)*

She began by highlighting the key policy issues related to the taxation system in Pakistan. Revenue collection was heavily centralized; fiscal effort was poor; revenue base was skewed toward indirect taxes; and the effective tax base was narrowed by exemptions and concessions. The government had instituted various reforms in the early 1990s to correct these imbalances. They included the introduction of withholding and presumptive tax regimes, reduction in income and corporate tax rates, broad basing of the General Sales Tax (GST), preliminary upgrading of GST into Value Added Tax (VAT), and lowering of tariff rates. However, excessive reliance on indirect taxes, concessions and exemptions, and the low tax-to-GDP ratios persisted, while GST coverage remained limited and conversion to full-fledged VAT was not achieved.

A number of lobbies including agriculturalists, business associations, banking sector and stock markets, exert strong influences. This has resulted in a number of anomalies e.g. agricultural incomes goes largely untaxed, efforts to document the informal economy have stalled, and large banking profits escape the tax net. Similarly, capital gains tax on could not be levied on stock trading or real estate, while the latest attempt to introduce the VAT has been delayed by stiff resistance from the business community and certain political parties.

*Mr. Manzoor Hasan,
Director, Institute of Governance Studies (IGS), Bangladesh*

He provided a brief historical perspective on tax collection in Bengal. Extractive colonial state practices had inculcated a centuries-old culture of non-compliance which in turn was used as a strategy by leaders of the independence movement. This has significant bearing on the current poor fiscal effort. The nexus between business and political interests forms a major interest group able to lobby the parliament, which is the highest policymaking body, in the absence of laws dictating conflict of interests. Kinship and familial relationships also play a significant role. These lobbies exert considerable and growing influence, resulting in loss of revenue from various sectors including tobacco, reconditioned cars, undeclared assets, etc. The long overdue improvement in revenue collection in 2009-10 owes largely to political support from the highest echelons, while a large undocumented economy continues to hamper efforts. Fiscal decentralization is being strengthened through incentives to improve tax collection at local levels. Reform is mostly donor-led, focused on administrative automation, and lacks insider support and political will. He stressed the need to nurture tax policy research, develop expertise, and promote collaboration between researchers and practitioners across South Asia.

*Dr. Saman Kelegama,
Executive Director, Institute of Policy Studies, Sri Lanka*

He began by highlighting the key problems facing the Sri Lankan tax system. They include a lop-sided structure favoring indirect taxation, tax evasion, poor tax administration, excessive exemptions, and ad-hock policy shifts.

Corporate and personal income tax performance remains poor. Public officials are exempted, representing a strong voting bloc which resists policy pressures. Private sector non-compliance results from skewed incentives that discourage disclosure by corporate and individual taxpayers. Tax holidays and concessions designed to attract FDI have eroded the tax base, according to Board of Investment (BOI) priorities, which exercises excessive discretion over tax policy. Custom duty taxation is overly complicated and non-transparent with high evasion rates.

The VAT has been unable to generate revenue comparable to its predecessors after 8 years of operations, due to frequent changes conceded to industrial lobbies, lack of preparatory training and institutional arrangements prior to implementation, controversies over design and structure, and lack of transparency. Extension of coverage to wholesale and retail trade remains impossible due to constitutional provisions for devolved tax sources. Fiscal federalism is weak with devolved tax sources amounting to only 4% of central government revenue. This owes to legal/constitutional impediments, lack of administration capacity, lack of incentives to improve provincial revenue mobilization, and dependence on centre-province grants that fund recurrent expenditures.

Tax administration suffers from lack of information management capacity, lack of compliance-friendly procedures, excessive discretion, and territorial resistance to reform. Unfortunately, the recommendations of successive Presidential Taxation Commissions intended to correct these imbalances have not been implemented, given political economy factors that eclipse rationalization concerns.

*Presentation by Dr. Mahesh Banskota
Treasurer, Institute for Integrated Development Studies (IIDS), Nepal*

He began by providing an overview of the unstable political environment and the economic health of Nepal, marked by modest growth, poverty and heavily dependent on remittances. Tax revenue effort is recovering from the Maoist conflict, and fiscal discipline has improved post-democratic reforms in 1990. He presented a conceptual framework for analyzing the political economy, highlighting the openness of policy making processes, roles of governance stakeholders, and the political and economic context as key factors impacting policy choices. The predominantly poor rural population and undocumented trade limited fiscal space in Nepal. The situation was worsened by an unstable government, lack of political commitment to development aims, and a politicized bureaucracy. Multi-party politics adds to the uncertainty surrounding policymaking which is dominated by political rather than substantive priorities, with little technical support. The executive branch is solely concerned with maintenance of the status quo. None of the non-state stakeholders has a significant role, except more recently the media, and the international donor community who influence the development budget and revenue. Expenditure suffers from poor budgeting, excessive wage bill, and large leakages. Fiscal federalism and decentralization is weakened by political and bureaucratic resistance and questions of ethnicity. Most policy initiatives are thwarted by

political opposition, including a hotly debated tax on cooperatives which has divided interest groups from among the government, political parties, business associations and financial institutions into competing factions, with the future of the tax uncertain.

Open Floor Discussion

Mr. Sartaj Aziz began by saying that inasmuch as the presentations highlighted the problems and resulting failures of tax reforms, equal attention must be paid to the success stories emerging from the country experiences shared. He noted the Tax Information Network (TIN) computerization reform in India, and the introduction of withholding taxes in Pakistan as key success stories. Referring to the latter, he remarked that while it was not wholly rational, it did generate significant revenue which illustrated that economic theory and practical policy success need not always coincide.

Dr. Govinda Rao began by stating a fundamental guiding principle of tax design which was based on analysis of 3 main costs – cost of compliance, cost of collection and cost of possible distortion to the economy. He went on to say that it was the effective not the nominal tax rate which should be prioritized in policy discourse. He opined that considerations of ‘equity’ should be driven by increasing revenue for the poor, rather than focusing on reducing the disparity per se between income groups. Holistically speaking, the Indian tax-to-GDP ratio was about 17%, which according to international comparisons could be described as “not bad”. He linked this success to the efficient use of technological resources. Finally, he stated that exemptions and concessions were the main tools utilized by lobbies and narrow interest groups for seeking rent.

Dr. Anwar Shah commented that tax administration was an integral component of revenue systems, and as such very important for their success. He cited as an example, the experience of ‘octroi’, a tax levied by local governments in Pakistan on commodities imported into municipal limits. Regarding agricultural income tax, he remarked that it was a ‘lost cause’ and a substituting land tax would be more feasible. He also proposed that considering the performance of withholding taxes, they should become the sole tax sources, doing away with personal and corporate income tax altogether. He elaborated that under this system, only the issuance of credits needed to be filed for. He opined that the carbon tax levied by governments in developed countries was efficient, an effective revenue-generator, and an environmental safeguard. Developing countries could consider the introduction of a local analogue.

Dr. Idrees Khawaja opined that compliance was a more important issue than the tax base, which echoed the importance Dr. Anwar Shah attached to tax administration.

Dr. Suman K. Bery remarked that issues of governance needed to be prioritized in policy discourse, which should not be reduced solely to technocratic analysis.

Session II: Recent and upcoming fiscal reforms in South Asia

Co-Chaired by:

- **Dr. Mustafizur Rahman, Executive Director, Center for Policy Dialogue, Bangladesh**
- **Dr. Anwar Shah, Economist and Program Leader, World Bank, USA**

*Presentation by Dr. Govinda Rao Marapalli,
Director, National Institute of Public Finance and Policy (NIPFP), India*

He presented a brief overview of the fiscal situation in South Asian countries, stating that the expansionary fiscal reaction to the global financial crisis was an opportunity for shared learning experiences, given the heterogeneity of fiscal health in the region. As a whole the region was undergoing recovery. Key challenges included savings and investments, balance of payments and fiscal imbalances. Large fiscal deficits and debt management issues plagued all governments, with increased vulnerability for those carrying foreign large foreign currency debt burdens. Expenditure on the social sector, physical infrastructure, and security added to the fiscal stress, compounded by poor tax effort. All governments compensated for poor infrastructure through sub-optimal subsidies and tax preferences to try and achieve competitiveness. Experiences with legislated fiscal discipline have yielded mixed results.

Next he provided an analysis of the Indian budget for 2010-11, stating that the withdrawal of the marginal stimulus and tax increase allowed a reduction of the fiscal deficit, while further consolidation was planned over the next 2 years, sourced from loan waivers, pay and pension arrears and disinvestment. He questioned the realism of fiscal targets given lack of provision for oil subsidies and expressed doubts on the wisdom of fertilizer subsidies.

He listed issues that should be prioritized for research. They covered the South Asian policy response to the global economic slowdown; econometric analysis of expansionary fiscal policy impact; political economy of fiscal deficits and their impacts; public debt management; fiscal responsibility legislation; fiscal impact of capital flows; intergovernmental finance; and government subsidies.

*Presentation by Mr. Muhammad Asif Iqbal (prepared by Dr. Hafiz A. Pasha)
Company Secretary & Principal Economist,
Social Policy and Development Centre (SPDC), Pakistan*

He began by providing an overview of Pakistan's tax system at the federal and provincial levels. At the federal level, income tax revenue is heavily dependent on withholding/presumptive taxes. General Sales Tax was levied only on goods, with planned upgrade to a full-blown VAT regime. At the provincial level, tax sources included land, motor vehicles, property, excises, and services. The overall tax-to-GDP ratio has hovered around 10-11% during the current decade, with the share of direct taxes improving to 35% in 2009-10 from 28% in 2000-01. Tax burden is skewed across sectors with agriculture contributing 23% of the GDP, but only 1% of tax revenue, while industry accounts for 24% of the GDP but pays for 70% of tax revenue.

The period of fast growth during the 2003-07 did not raise the tax-to-GDP ratio because of various exemptions, tax rate reductions and withdrawal of lucrative tax heads. Widespread tax evasion, poor fiscal effort by provinces, and high variability in revenue generated by

Surcharges on petroleum and natural gas, further worsened tax performance. This was a product of supply-side economic thinking, which did not spur growth to expected levels.

Next, he briefed the participants on the recent reforms introduced from 2008-09 onward. They included the introduction of various new indirect and direct taxes, enhanced coverage of existing taxes, measures to curb evasion, and enhancement of tax rates. Upcoming reforms include a GST reform to comprehensive VAT. This would entail elimination of most exemptions, extension to cover services, and reduction in industrial tax burden. Implementation has been delayed to October this year due to opposition from provinces and traders' lobbies. At the provincial level, the introduction of 3 main taxes is planned, most notably an agricultural income tax. These reforms are led by an IMF program aiming to enhance tax revenue by 3.5% of the GDP over the next 3 years.

*Presentation by Dr. Mustafizur Rahman,
Executive Director, Centre for Policy Dialogue (CPD)*

He began by stating problems with the Bangladesh tax system that persisted despite recent reforms. They included poor revenue mobilization, regressive tax incidence, narrow tax base, high degree of evasion, limited administrative capacity, resource constraints, heavy centralization, and cumbersome legal procedures. Annual growth in tax receipts, (which generate 4/5th of total revenue), was relatively high during the 1980s, dropped during the 1990s and has picked up again during the current decade. VAT has replaced Customs duties on imports, as the dominant earner owing to trade liberalization in the 1990s.

He then brief participants on recent reform initiatives. Income tax reforms included changes to the tax base, accompanied by relatively high rates in the early 1990s. New administrative units were created in 1999 and 2004, and an asset registration drive was initiated in 1991 as part of an effort to improve compliance. Withholding taxes and advance quarterly income tax payments were introduced. Assessment was partially outsourced to chartered accountants in 2001. Most recently, online submission of tax returns has been planned for piloting in 2011. Special tax incentives have been introduced, including tax holidays, exemptions and an accelerated depreciation scheme in efforts to bring the informal sector into the tax net.

The VAT was introduced in 1992 and has since undergone various changes in design and administration. Donor-led reforms have focused on automation and upgrading of IT resources. In the short-term, the plan of action for 2011 focuses on curbing evasion and recovering assets, improving coordination and information sharing, and upgrading data management to extend coverage. In the medium-term the monitoring of reforms, strengthening of government-taxpayer interface, improving dispute resolution and legal capacity, lowering compliance costs, enhancing transparency and building human resource capacity have been prioritized. The aim is to improve the tax-to-GDP ratio to 11.8% by 2015.

Finally, he shared the research themes of interest to IGS. They included a review of fiscal reforms, cost benefit analysis of fiscal incentives, indirect tax incidence, equity dimensions, and modalities of broadening the income tax base.

*Presentation by Dr. Dushni Weerakoon,
Deputy Director & Head of Macroeconomic Policy, Institute of Policy Studies, Sri Lanka*

She presented an overview of the fiscal challenges faced by the government of Sri Lanka. The revenue-to-GDP ratio has been declining steadily since the mid-1990s, and the fiscal deficit has averaged 8-10% of GDP since 1990. Fiscal decentralization was driven by political rather than economic aims. Vertical imbalance persists with expenditure dominated by recurrent expenses.

New taxes were introduced during the 1990s at sub-neutral rates, then amalgamated to the VAT in 2002, featuring concessions and exemptions. Tax amnesties have also been enacted periodically. The Fiscal Management and Responsibility Act has not been fully implemented since promulgation in 2003. Improvement in progressivity has come from a rising share of income taxes in revenue, exempted basic commodities in VAT, and high import duties on luxury goods. Fiscal tightening came at the expense of capital expenditure funded through borrowing, while salaries, transfers and subsidies and interest payments dominate expenditure. As a result, spending on health, education and infrastructure has suffered creating disparities across sectors and provinces. Fiscal weaknesses have also contributed to increased inflationary pressures and foreign debt exposure.

Finally, she briefed the participants on future reform areas which included base broadening, and improved administration and rationalization of the tax system, under the Presidential Tax Commission. Reforms must also solve problems with the VAT including exemptions, adhocism, and administrative weaknesses.

*Presentation by Dr. Mahesh Banskota
Treasurer, Institute for Integrated Development Studies (IIDS), Nepal*

He began by providing an overview of the main foci of current fiscal policy in Nepal. These included base broadening through VAT modernization and reduction of leakages. They also included increased administrative efficiency, transparency and lowering compliance costs. Another salient focus is the negotiation of double tax exemption treaties. These are designed to overcome a number of challenges regarding the tax base, tax rates, policy/legal framework, discretion and transparency, compliance, and administrative leakages. The overall impact of such policy reforms has been limited – tax administration problems persist and the tax-to-GDP ratio remains low, which raises various questions regarding the efficacy and success of fiscal reform efforts.

Next, he suggested key areas for reform of tax policies and institutions. At the policy level he prioritized the streamlining of taxes, widening the bases for major taxes, minimizing exemptions and coordinating with related policy areas. At the institutional level, he stressed the need to control leakages, improve the government-taxpayer interface, reorganize and strengthen institutional arrangements, prioritize monitoring and evaluation efforts, and upgrade IT resources. More broadly, he also suggested avenues for increasing non-tax revenue, improving the management of public expenditure and debt, and attached significance to structural factors such as stability, security, and infrastructure which should be high on the fiscal policy agenda.

Open Floor Discussion

Dr. Govinda Rao elaborated on upcoming reforms in India, including the Direct Tax Code (DTC), a goods and services tax levied by both the central and state governments, and a destination based VAT extended to the retail level for which the technological platform had already been developed. He also stressed that the proliferation of subsidies without appropriate targeting and debt sustainability were major fiscal issues confronting Indian policymakers.

Mr. Daniyal Aziz prioritized coverage and exemptions as the 2 main policy issues emerging from the presentations. He added that the research emanating from the network should be accessible to the broadest possible audience so that the link between poor tax effort and substandard service delivery can be clarified for taxpayers across the region. This would build the social momentum and political will necessary for successful reforms.

Referring to the experience of Bangladesh, Dr. Mustafizur Rahman remarked that registering and verifying Tax Identification Numbers (TINs) did not guarantee compliance. He added that Citizen's Charters such as the one published by the National Board of Revenue in Bangladesh, must be seen in a dual light. If citizens committed to better compliance they could demand their right to better services.

Dr. Anwar Shah opined that accountability could only be meaningfully constructed in a bottom-up fashion which needed information disclosure to empower the taxpayer. He proposed that the confidentiality of tax returns should be foregone and they should be made public to leverage public/peer pressure for better compliance. Media could have a significant role in this regard. Referring to Citizen Charters he singled out the Malaysian model, which incorporated specific standards for public services with legal backing. He also said that expenditure reform must be prioritized higher than tax reform, as governments in South Asia mostly suffered a great disparity between their ability to collect taxes and their ability to provide services. He related the experience of Canada which underwent a financial crisis in the early 1990s, and subsequently strengthened their fiscal position by contracting their government through a system based on simple criteria. As a result they recovered within 3 years and currently enjoy one of the most stable debt positions in the developed world. Mr. Evan Due chose to disagree with Dr. Anwar Shah related that in his opinion, the fiscal tightening resulted in a fair degree of "slash and burn".

The discussion then turned to the Canadian experience of implementing the VAT, which according to Dr. Anwar Shah took years of political wrangling, federal-state negotiations, and public opinion building. Dr. Govinda Rao added that Alberta, a Canadian province, had still not agreed to the imposition of the Goods and Services Tax (VAT) in its territory. In contrast, the VAT implementation cycles in developing countries proceeded along truncated timelines imposed by donors – seemingly "overnight" which may explain their failures.

Dr. Suman K. Bery raised the issue of perceived corruption, which was a mainstay of public discourse in developing countries and which undermined the culture of tax compliance. He said that this constituted a policy conundrum, making it difficult to decide whether reform of expenditure should precede tax reform or vice versa.

Dr. Shabbir Cheema proposed a 2 pronged approach to the research agenda. The first layer of issues should deal with the set of specific problems relating to the policy and institutional environment in South Asia. These could be probed through 8-10 case studies of successes and failures of government policy. The second layer should deal with broader systemic issues that the presentations and the ensuing discussion have identified. Finally, the 'micro' and 'macro' perspectives could be brought together for comprehensive, in-depth analysis.

Session III: Fiscal federalism and decentralization in South Asia

Co-Chaired by:

- **Dr. George Matthew, Director, Institute of Social Sciences, India**
- **Dr. Shabbir Cheema, Director, East-West Center, USA**

Presentation by Dr. Suman K. Bery

Director-General, National Council of Applied Economic Research (NCAER), India

His presentation was focused on the third tier of government in India: the panchayati raj institutions and urban local bodies. Constitutional recognition of this third tier was extended in 1993 accompanied by national legislation that built on existing structures in many cases. The design includes political and administrative devolution of “funds, functions, & functionaries” with reservation of women’s seats among elected representatives. He analyzed the findings of the Thirteenth Finance Commission (2010-2014) which reflected acute sensitivities related to state autonomy and constitutional balance. It also created problems for revenue devolution by doing away with ad-hoc grants and specifying allocable transfer shares from the divisible pool. This includes a performance-based component subject to conditions such as improved accounting and auditing functions, expansion of property tax bases, service standards for key local services. This would need to be complimented by own source revenue from local taxes and user charges. The Commission’s report recognizes the role of the third tier in promoting local development and recommends revisiting Constitutional arrangements to empower local bodies.

A major expenditure weakness was the serious under-provision of local services, particularly with regarding water and sanitation, which was partially due to financial constraints. The share of rural local bodies in state expenditure should rise considerably if they were to meet their service delivery responsibilities. Targeted central programmes have increased to fill the current gap in this area. Rural local bodies have been reduced to implementation mechanisms for these schemes with budgets that dwarf their own resources. This was the result of severe resistance to fiscal decentralization at the state and central levels, and capacity constraints, elite capture and dilution of political credit at the local level.

He concluded by saying that the empowerment of local bodies was hampered by lack of political will, which was reflected in the current debate surrounding the issue of local tax integration into the national Goods and Services Tax. The provision of satisfactory delivery of public services at the local level was a regional challenge, and thus an opportunity for comparing experiences.

Presentation by Idrees Khwaja (prepared by Dr. Aisha Pasha)

Associate Professor, Pakistan Institute of Development Economics (PIDE), Pakistan

He began with an overview of the distribution of functions between the central, provincial and local governments and its evolution under the devolution reform of 2001 and the 18th Constitutional Amendment in 2010. Pakistan shared the vertical fiscal imbalance problems cited by other South Asian delegates, resulting in chronic deficits at the provincial and local levels that spent 30% of government expenditures but earned only 6% of government revenue in 2009-10. Following the devolution reform, provincial shares in public expenditure has increased to 36.9% in 2010-11, while that of local governments has dwindled. Intergovernmental transfers are mainly predicated on divisible pool allocations, composed of provincial shares in tax revenues.

Significant horizontal imbalance is apparent in the share of provinces in total federal transfers with Balochistan and Khyber Pakhtunkhwa receiving only 11% and 19% of the resources. This was the result of a 'population-only' criterion for divisible pool allocation, which was expanded to include poverty, revenue effort, and population density post-National Finance Award 2009. This has increased the transfer commitments of the federal government forcing the curtailment of current and development expenditure, straining deficit targets, and rapidly expanding provincial budgets. The federal government must now re-prioritize development expenditure, devolve vertical programs, enhance tax effort, and strengthen the National Finance Commission. The provinces need to display financial prudence, enhance service delivery and improve fiscal effort. In the absence of these measures, strengthened fiscal federalism could increase macroeconomic imbalances without yielding any gains.

*Presentation by Dr. Anwar Shah,
Economist and Program Leader, Governance Program, World Bank Institute, USA*

His presentation focused on international experiences of decentralized local governance in South Asian and global perspectives. He began with a paradigm shift for local government thinking in the 21st century which posited this tier as a facilitator of networked stakeholders with significant roles for private actors. Strong local governments may enable states to meet the expectations of their citizens. At times there were political, economic, and foreign policy objectives that decentralization reforms are meant to serve. However, decentralized local governance has improved across nations with stronger legal and constitutional safeguards, more meaningful political devolution, and higher degrees of independence.

However, problems in political, fiscal, and administrative spheres of governance persist. Political devolution is incomplete because of low participation and contestability in elections, lack of provisions for popular recall of local officials and disbandment of local councils by higher tiers of government. Fiscal decentralization suffers due to low tax autonomy and intergovernmental finance is de-linked from incentives to improve local service delivery. Local governments lack access to credit given thin financial markets, and tax centralization. Administrative de-concentration is weakened as local governments lack the authority to manage staff, contract out responsibilities, or to pass bye laws in their jurisdictions. Local governments across the world face these problems to varying degrees.

Overall, the impact of decentralization on service delivery, social development, fiscal performance and accountability was mixed. Reforms were still endangered by local capture and roll-back in the absence of societal consensus and civic participation. In closing, he recounted the key lessons emerging from these experiences. He said that decentralization should promote localization which was long and difficult to realize. Successful implementation required arduous consensus building and quick implementation through bottom-up approaches. While no model could fit all contexts, reform of government organization and culture was a hallmark of successful reform efforts.

*Presentation by Ms Maryantonette Flumian,
President, Institute on Governance, Canada*

Her presentation focused on the parallels of Canadian experience as pertaining to the Session theme. She said the division of powers between governments was enshrined in the Constitution. The reconciliation of national unity and regional diversity was facilitated by a

history of pluralism, regional economies and prevalence of multicultural ethos. Service delivery standards at comparable taxation levels were equalized across the country. Direct taxes were levied by provinces, who delegated taxes to the municipal level. Expenditures related to national interests such as defense and criminal law were under Federal purview, while provinces were empowered to spend on service delivery such as education and healthcare.

Despite this elaborate institutional and legal setup, vertical fiscal imbalance between federal and provincial governments was a major issue rising from mismatched revenue and expenditure responsibilities. Another problem was the horizontal fiscal imbalance with disparities between provinces regarding fiscal capacities and their ability to provide services. The fiscal health of the federal government is far more sound and certain than provincial governments, given built-in growth rates of existing revenue and expenditure structures. As a result, the federal government has increased direct spending on social services, education and healthcare.

The recent financial crisis has led to centralization of national finances driven by consumer and corporate bail-outs, overhaul of the Canadian Deposit Insurance Corporation and formation of the Canadian Secured Credit Facility.

*Presentation by Dr. Mahesh Banskota
Treasurer, Institute for Integrated Development Studies (IIDS), Nepal*

Despite enabling legal reforms in 1999, fiscal decentralization in Nepal remains shallow in an ongoing power struggle between central and local governments. The formation of federating units is dominated by ethnic tensions post-2006 owing to the Maoist political movement, despite arguments against an ethnicity based federal structure. Given high inequalities in income, government revenue generation is concentrated in a few well-developed areas, which undermines balanced fiscal relations between governments. The share of local development expenditure in public expenditures is small, and funded by taxes and grants from upper tiers. He speculated on the probability of 10-15 states in Nepal, with the assignment of taxes between central, provincial, and local governments based on the recommendations of the Constituent Assembly Committee. Various issues of fiscal federalism are still undecided, including local government structure, expenditure responsibilities and capacities, revenue assignments, fiscal transfers and grants, borrowing and budgeting practices, and donor relations.

Open Floor Discussion

Dr. George Matthew commented on the presentation by Dr. Suman K. Bery, saying that in addition to the devolution of “funds, functions and functionaries”, freedom and autonomy were also important aspects of decentralized local governance. Referring to the presentation delivered by Dr. Idrees Khawaja he remarked that the declining share of Pakistani local governments in public expenditure was not a positive development.

Dr. Anwar Shah opined that local governments should be considered the ‘first’ and not a tertiary tier of government, and that local empowerment was key to establishing good governance practices at the local level. He singled out effective administrative decentralization as the missing link in fiscal decentralization efforts.

Ms. Flumian raised the issue of how political will can be marshaled to back decentralization reforms and what governance models can be emulated to support them. Mr. Sartaj Azizi commented that the 18th Amendment had brought about various positive developments, reaffirming the right to information and education and creating space for a complimentary civil society movement to support these reforms. Federal to provincial decentralization had been strengthened but provincial to local decentralization was still an uncertain issue.

Dr. Govinda Rao stated that constitutional safeguards were not a pre-requisite for effective decentralization. Dr. Shah agreed, opining that the Chinese local governments were the strongest in the world, with no legal framework excepting an executive order. Dr. Govinda Rao went on to say that the main challenge was activity mapping, which could not be oversimplified to a “layer cake” demanding a more sophisticated view along the lines of a “marble cake”. Reform of property tax regimes at the local level remained a crucial issue in this regard.

Dr. George Matthew presented the experience of Kerala, India as a decentralization success story. The key success factor was the strong mobilization of own-source revenues by Village Panchayats, municipalities and corporations. The total share of own-source revenue in local government expenditure has been climbing steadily from 16% in 2005-06 to 18% in 2007-08. This fiscal independence is complimented by representation of local bodies in the State Development Council, accountability mechanisms, transparency and oversight provisions, and local justice dispensation mechanisms.

Dr. Shabbir Cheema opined that decentralization was a ‘means to an end’ as well as an ‘end in itself’. He emphasized the importance of both definitions in proceeding with research and analytical work.

Following the end of Session III, all participants formed thematic workgroups based on their preferences for breakout sessions where they deliberated on the research areas and methodologies for their respective themes. The composition of these workgroups was as follows:

Political Economy of Tax Regimes

- Dr. Shabbir Cheema
- Mr. Sartaj Aziz
- Mr. Manzoor Hasan
- Mr. Daniyal Aziz
- Ms Maryantonette Flumian
- Ms Laura Edgar
- Dr. Khalida Ghaus
- Dr. Saumen Chattopadhyay

Fiscal Federalism and Decentralization

- Dr. Anwar Shah
- Dr. George Matthew
- Dr. Suman K. Bery
- Dr. Bishnu Pant
- Dr. Mahesh Banskota
- Mr. Muhammad Asif Iqbal

Recent and Upcoming Fiscal Reforms

- Dr. Idrees Khawaja
- Dr. Govinda Rao Marapalli
- Dr. Mustafizur Rahman
- Dr. Dushni Weerakoon

Day 2 – 9th of August, 2010

Session IV: Presentation of Methodologies by Thematic Work Groups

Co-Chaired by:

- **Dr. Idrees Khawaja, Associate Professor, Pakistan Institute of Development Economics (PIDE), Pakistan**
- **Dr. Saman Kelegama, Executive Director, Institute of Policy Studies, Sri Lanka**

Presentation on Theme 1 Methodology and Open Floor Discussion

Dr. Shabbir Chema presented on behalf of the Workgroup on the Political Economy of Tax Regimes in South Asia. He focused initially on the context, highlighting factors such as the power dynamics between interest groups, and their influence and impact on public policies and institutions. Within this context, the Group identified tax policy goals and instruments for their achievement, coverage, and subsidies as priority areas for research. These would be studied in terms of both results and process, focusing on articulation of the need for reform, mobilizing support and balancing interests, institutional and administrative impediments, and the design, sequencing and monitoring of reform initiatives.

Dr. Anwar Shah opined that what was politically possible may not always be desirable. Political imperatives such as re-election pressures and lobbyist influences could hijack policy considerations, citing the recent American healthcare reform experience as a prime example. The fundamental question was how to make politicians think apolitically.

Mr. Daniyal Aziz said that in his opinion, political will was now beginning to gather behind reform initiatives, as a multifaceted economic crisis had made the status quo an increasingly unattractive option. Moreover, in Pakistan, if politicians did not deliver, a military coup was always a possibility. Dr. Suman K. Bery, said that it was an alarmist viewpoint to say that we were starting from a position of crisis. It would be fairer to say that while progress had been made, a lot more remained to be done.

Dr. Govinda Rao stated that the presented methodology did not clarify whether power structures were to be studied first, or tax policy as determined by political interests. He also pointed out the disparate policy environments in nations across South Asia. Mr. Sartaj Aziz responded by saying that their presentation presented a framework which identified the salient areas for research in the light of political realism. Issues of sequencing or prioritization may be discussed among all participants.

Presentation on Theme 2 Methodology and Open Floor Discussion

Dr. Govinda Rao presented on behalf of the Workgroup on Recent and upcoming Fiscal Reforms in South Asia. He outlined a list of research sub-themes that could be prioritized in the research agenda from macroeconomic stability, redistribution and resource allocation perspectives, as related to fiscal policy. He also indicated the collection protocols and analytical tools that would be incorporated in the methodology.

Dr. George Matthew raised the issue of excessive public spending on defense at the expense of education and health services by South Asian governments. Dr. Rao responded by saying the issue was both sensitive and difficult to probe, given lack of publicly available data.

Dr. Mustafizur Rahman raised the issue of deficits which were shared by all South Asian governments, funded by IFIs or Central Banks. Research should focus on the most desirable ways to fund fiscal deficits and regional mechanisms to foster common fiscal policy should be explored. Dr. Rao responded by saying that the latter would lie outside the purview of the current research, belonging to discourse on international cooperation and trade.

Mr. Daniyal Aziz commented that the research agenda presented may become overwhelming and ultimately unfeasible given practical considerations. Dr. Rao responded by saying that the agenda was prepared as a 'shopping list' which may be prioritized and operationalized based on discussion among all participants.

Dr. Suman K. Bery raised the issue of Public Private Partnerships (PPPs) which were a growing trend in India and had implications for revenue mobilization. Secondly, he said that research on the 'optimal fiscal deficit' for each country would be a valuable policy input. Dr. Rao expressed skepticism on the issue of PPPs, saying they had garnered mixed results. On the issue of optimal deficits he said that no universal formula existed and it came down to a matter of subjective judgment in most cases.

Dr. Suman K. Bery enquired as to the criteria whereby research areas would be prioritized. He also said that in India a major issue was the transfer of labor from agriculture to other sectors. He added that research on the fiscal policy impact and implications for the differences between East Asian and South Asian economies would be interesting, given that the former had a far larger manufacturing sector, while the latter had a far larger services sector. Dr. Rao stated that while there were a number of equally valid potential areas for research, current issues should be prioritized, such as the impact of the global financial crisis.

Mr. Manzoor Hassan opined that the research focus would be determined by the audience, with more technical areas reserved for policymakers, and more general political areas targeting a broader lay audience. Dr. Govinda Rao stated that technical areas could not be ruled out, but research could be presented in a manner accessible to a broad array of stakeholders. Dr. Suman K. Bery added the importance of donors as one of the key stakeholders.

Presentation on Theme 3 Methodology and Open Floor Discussion

Dr. Mahesh Banskota presented on behalf of the Workgroup on Fiscal Federalism and Decentralization. The methodology began with a contextual understanding of the South Asian experience with fiscal federalism and decentralization, highlighting the degree of variation, political realities, budgetary guidelines, and the successes, failures and difficulties for government policy. Next, they focused on the link between fiscal decentralization and empowerment, assessment of accountability under decentralized governance, and the information and knowledge systems that were needed to support it.

Dr. Govinda Rao emphasized the difference between urban and rural environments which had not been addressed by the presentation. Dr. George Matthew agreed that the urban/rural divide needed to be addressed and added that district planning processes should also be focused.

Dr. Suman K. Bery added that research should focus on the drivers of decentralization reforms, which were important factors in determining their scope and success as underlined

by the experiences of Latin American countries. Dr. Evan Due added that there were differences between homegrown, systematically developed decentralized regimes and those imposed externally. He emphasized the importance of initial conditions and attendant political factors.

Ms. Maryantonette Flumian remarked that the discussion needed to be re-focused according to the framework provided in the Workshop Document, which set out the domains from which issues could be chosen and prioritized. These included building and strengthening failed structures, funding social protection, and sound debt management policies.

Mr. Daniyal Aziz noted that the discussion on fiscal decentralization boiled down to the corrosion of local property taxes, which funded about 60% of local government expenditures. Improved tax effort had to be prioritized to overcome the vertical imbalance, enhance accountability relationships, and promote political reform.

Dr. Shabbir Cheema reminded participants that the Workshop was focused on tax systems while decentralization was a peripheral issue. Dr. Anwar Shah opined that the narrower original focus was not a positive option. Dr. Dushni Weerakoon agreed with his opinion.

Mr. Daniyal Aziz noted that political economy concerns were reflected in tax policy as that ultimately decided political debates and choices.

Session V: Development of Integrated Proposal

Co-Chaired by:

- **Dr. Bishnu Pant, Executive Director, Institute for Integrated Development Studies (IIDS), Nepal**
- **Mr. Daniyal Aziz, Advisor, Governance Institutes Network International (GINI), Pakistan**

Following due deliberation, participants agreed on the themes for research, the institutes responsible for conducting research under these themes, and the initial steps toward building an integrated proposal.

The following themes and attached institutions were decided, with a lead institute in each area assuming a key role in taking forward the substantive and administrative agenda.

Theme 1: Exemptions & Incentives: Efficacy, Costs, & Interest Groups

- Institute of Public Policy, Beaconhouse National University, Pakistan (Lead Institute)
- Social Policy Development Centre, Pakistan
- Institute of Policy Studies, Sri Lanka
- Center for Policy Dialogue, Bangladesh
- National Institute of Public Finance and Policy, India
- Jawaharlal Nehru University, India

Theme 2: Assessment of donor-led fiscal reforms: Benefits & Costs

- Institute of Governance Studies, Bangladesh, (Lead Institute)
- Institute of Policy Studies, Sri Lanka
- Institute for Integrated Development Studies, Nepal
- Jawaharlal Nehru University, India
- Center for Policy Dialogue, Bangladesh

Theme 3: VAT Reform

- National Institute of Public Finance and Policy, India (Lead Institute)
- Institute of Policy Studies, Sri Lanka
- Center for Policy Dialogue, Bangladesh
- Social Policy Development Centre, Pakistan
- Pakistan Institute of Development Economics, Pakistan
- Institute for Integrated Development Studies, Nepal

Theme 4: Improving local government finances, including property tax reform in South Asia

- Institute of Social Sciences (ISS), India (Lead Institute)
- Institute of Public Policy, Beaconhouse National University, Pakistan
- Institute for Integrated Development Studies, Nepal

Theme 5: Reform of inter-governmental fiscal transfers: Adequacy, Equity & Incentives

- Pakistan Institute of Development Economics, Pakistan (Lead Institute)
- Social Policy Development Centre, Pakistan
- National Institute of Public Finance and Policy, India
- National Council of Applied Economic Research, India

Theme 6: Role of technology in tax administration

- National Institute of Public Finance and Policy, India (Lead Institute)
- Institute of Public Policy, Beaconhouse National University, Pakistan

Once the research themes are finalized, groups of institutions would be encouraged to submit joint proposals for research on a format that would include:

- The scope and objectives of the research under a particular research theme
- The collaborating institutions
- The format of collaboration (comparative studies, case study etc.)
- The roles and responsibilities of the respective institutions and the respective levels of effort (person months, organizational inputs i.e. library, offices, coordination etc.)
- The broad research design including how many countries would be included in the research frame, the research frame along with the attendant reasons
- How South Asian countries would benefit from this research including the audience and the actions for promoting potential benefits of the research (outcomes, impact)
- The proposed budget with delineation of the particular institutions in the budget

Session VI: Organization & Planning

Co-Chaired by:

- **Mr. Manzoor Hasan, Director, Institute of Governance Studies, Bangladesh**
- **Ms. Maryantonett Flumian, President, Institute on Governance, Canada**

Following due deliberations, the participants agreed on the following key decisions regarding the structure and function of the proposed network:

- GINI will serve as Secretariat to the proposed network providing financial management, contract management, substantive support, and coordination services. All funding will be channeled through the Secretariat.
- The institutes in attendance will compose the Steering Committee (limited to those based in South Asia). The Steering Committee shall guide the network with its recommendations while ensuring that network interests and needs are addressed and the resources supporting the network are effectively prioritized through an approved annual work plan.
 1. The steering committee shall approve the annual work plan of the network.
 2. The steering committee shall monitor the progress of the annual work plan and Sub-Committees work through the GINI Secretariat and make attendant recommendations as required for the attainment of the objectives of the network
- The institutes attached to each research theme shall form a Sub-Committee which will formulate and agree on the summary of joint proposals to be submitted to GINI for development of the Proposal. The details will be worked out at the contracting stage following approval of the proposal.
- Memoranda of Understanding (MoUs) between GINI and the network members will serve as the organizing instrument. They will detail the obligations and commitments of network partners. Financial arrangements will be governed by legal contracts signed between GINI and network partners at the time of actually undertaking research activities after approval of the integrated proposal. These contracts will be approved by the Steering Committee and signed and managed by the GINI Secretariat.
- The Institute on Governance, World Bank Representative, and the East-West Center representative will constitute a Technical Advisory Group that will provide peer review services for the research outputs produced by the Sub-Committees. These institutes will not be part of the Steering Committee. This Group will be expanded to include other technical experts as and when needed and approved by the Steering Committee.
- Detailed Terms of Reference (TORs) will be developed jointly by network members and approved by the Steering Committee to govern the roles and responsibilities of these bodies. These will form part of a governance document developed by GINI and duly circulated amongst network members for approval by the steering committee. It will also include draft MoUs and draft agreements with institutes and will be made available as an attachment to the Integrated Proposal.
- Lead institutes will prepare the project proposals for research under their respective themes and communicate them to GINI following approval of the proposal.

Annex I: Participating Institutions and Personnel

<i>Institutes</i>	<i>Personnel</i>	<i>Background</i>
East-West Center, Honolulu, Hawaii, USA	Dr. Shabbir Cheema, Director Asia-Pacific, Governance and Democracy Initiative Email: cheemas@eastwestcenter.org	Dr. Shabbir Cheema was previously the Director of the Governance Division of UNDP. His current work focuses on governance in Asia and the Pacific including decentralization, civil society engagement, electoral and parliamentary processes and civil service reform. He is the contributor and co-editor of <i>Decentralizing Governance: Emerging Concepts and Practices</i> (Brookings and Harvard 2007).
World Bank Institute, Washington, USA	Dr. Anwar Shah, Economist and Program Leader, Governance Program Email: ashah@worldbank.org	Dr. Anwar Shah has previously served the Ministry of Finance, Government of Canada and Government of Alberta, Canada and held responsibilities for federal-provincial and provincial-local fiscal relations respectively. He has advised multiple governments on fiscal federalism.
Institute on Governance in Ottawa, Canada	Ms. Maryantonett Flumian President Email: mflumian@iog.ca	She is a seasoned senior executive at the Deputy Minister level in the Canadian federal Public Service with more than 20 years of large-scale operational experience in the economic, social and federal/provincial domains. She is internationally recognized for her work as a transformational leader across many complex areas of public policy and administration such as labour markets, firearms, fisheries, and environmental issues. She was the first Deputy Minister of Service Canada. Her current research focuses on leadership, collaboration, governance, and the transformational potential of technology primarily in the area of citizen-centered services.
	Ms. Laura Edgar Vice President Email: ledgar@iog.ca	Laura Edgar leads the Institute's international work, including building and managing modernizing government, organizational governance, indigenous governance, health and innovation and partnership initiatives and projects around the world. Laura also leads the Institute's work on the governance of partnerships, including PPPs and civil society – government relations. Additionally, she has

		over ten years experience working with boards of directors of public purpose organizations. She has worked in West Africa, Japan, South-East Asia and Losotho.
International Development Resource Centre (IDRC), Ottawa, Canada	Evan Due, Ph. D. Senior Program Specialist Tel: +65-6594-3713); +65-9271-5574 Email: edue@idrc.org.sg (Additional representative to be Determined)	NA.
Beaconhouse National University (BNU), Pakistan 3-C, Zafar Ali Road Gulberg – V, Lahore Tel: 92-42-5718260-3 Email: info@bnu.edu.pk	Dr. Sartaj Aziz, Vice Chancellor, BNU Ext (PA): 821 Email: sartajaziz@hotmail.com	He is a recognized development economist, having served as Minister of State for Food, Agriculture and Cooperatives, Minister for Finance Planning and Economic Affairs and as Senator for the Pakistan government where he is a member of the Standing Committee on Finance and Economic Affairs. He has held senior positions in the UN, FAO, World Food Council, and International Fund for Agricultural Development. He has also played a key role in the North-South dialogue and South-South cooperation.
Social Policy and Development Centre (SPDC) 15, Maqbool Co-operative Housing Society, Block 7 & 8, Karachi – 75350 & Tel: 021-34534284	Dr. Khalida Ghaus, Managing Director Tel: 021-34534284/111-113-113, Cell: 0343-2605516 Email: kghaus2001@yahoo.com	She is an eminent scholar of international relations, human rights, social policy and development. Her academic career includes directorship of the Department of International Relations, and the Center of Excellence for Women’s Studies at the University of Karachi. She is also Honorary Director of the Pakistan Center for Democracy Studies and is an Asia Fellow at the Henry L. Stimson Center, Washington DC.
	Mr. Muhammad Asif Iqbal Company Secretary & Principal Economist Email: asifiqbal@spdc.org.pk spdc@cyber.net.pk	He is a senior economist with over 19 years of research experience focusing on revenue mobilization, social sector spending, social development and economic empowerment. International assignments include technical support for developing the Poverty Reduction Strategy paper for the Government of Eritrea. He also has various national and international publications to his credit.

<p>Pakistan Institute of Development Economics (PIDE) Quaid-i-Azam University Campus, Islamabad</p>	<p>Dr. Idrees Khawaja, Associate Professor Tel: 051-9201140 Cell: 03335606904 Email: khawajami@yahoo.com</p>	<p>He has over 8 years of academic/research experience in the areas of civil service reform, entrepreneurship, exchange rates and monetary policy, specializing in econometric analysis. He has also taught Economics and Finance at the post-graduate level at PIDE.</p>
<p>Governance Institutes Network International (GINI), Pakistan House 21, Street 56, F-6/4, Islamabad</p>	<p>Mr. Daniyal Aziz, Advisor Email: dax100@hotmail.com</p>	<p>He holds over 17 years of experience in governance, institutional reform and economic development, with a career spanning involvement in national and local politics, civil society leadership, and international networking. He has been a member of the National Assembly, as well as Chairman, National Reconstruction Bureau (NRB), was elected Chairman of the Forum on Ministers of Social Development in Asia, and currently heads various donor-led governance reform initiatives including the Devolution Trust for Community Empowerment (DTCE).</p>
	<p>Mr. Usama Bakhtiar Ahmed, Research Manager Email: usamab@gmail.com</p>	<p>He holds over 5 years of experience with the UNDP conducting policy research, analysis, advocacy and program evaluation. He has worked for governance reform at the regional level throughout the Asia Pacific, and within Pakistan in support of devolution. This experience includes designing and managing several national level survey research projects. He has also provided substantive and administrative support for research conducted by GINI. His academic qualifications include a Masters degree in Public Policy and Management from Carnegie Mellon University, USA.</p>
<p>National Institute of Public Finance and Policy (NIPFP), New Delhi 18/2 Satsang Vihar Marg, Special Institutional Area, New Delhi-110067 (INDIA) Tel.: 91-11 26563688, 26569780, 26569784, 26963421, Fax: 91-11-26852548</p>	<p>Dr. Govinda Rao Marapalli, Director Office: F-11, First Floor Email: mgr@nipfp.org.in Phone: 91-011-26857274 Fax: 91-011-26512703</p>	<p>He has led or been part of Committees such as Economic Advisory Council to the Prime Minister, Technical Experts Committee for the Introduction of State VAT in India, Expert Group on Taxation of Services, Expert Group Panchayat Raj, Tax Reforms Commission, Revenue Reforms Commission, State Finance Ministers' Committee on Sales Tax Reform. He has also been actively involved as Consultant/adviser on public policy to various international bodies such as World bank , Asian development bank, UNDP, ESCAP-United Nations.</p>

<p>Institute of Social Sciences (ISS) 8 Nelson Mandela Road New Delhi – 110 070 Tel: (91) 11-43158800, 43158801 Email: issnd@vsnl.com Website: www.issin.org</p>	<p>Dr. George Mathew, Director Email: iss@nda.vsnl.net.in sapna@issin.org</p>	<p>George Mathew is Founding Director, Institute of Social Sciences, New Delhi. Some of the important academic positions he has held are: Visiting Fellow of the University of Chicago South Asian Studies Centre (1981-82) and Visiting Professor, University of Padova (1988); awarded the Fulbright Fellowship in summer 1991 for working at the University of Chicago. He is a member of several committees of the federal government and on the board of governors of national and international organizations.</p>
<p>National Council of Applied Economic Research (NCAER) Parisila Bhawan, 11, Indraprastha Estate, New Delhi -110002, India Telephone: (91-11) 23379861 /2 /3 /5 /6 /8, 23379857 Fax : (91-11) 2337-0164 Email: infor@ncaer.org</p>	<p>Dr. Suman K. Bery, Director-General Email: sbery@ncaer.org</p>	<p>Prior to this assignment, he was working at the World Bank in Washington, D.C., USA as the Lead Economist for Brazil. Other experience on Latin America included work on Argentina, Uruguay, Paraguay, Ecuador and Peru. Dr. Bery has also held the position of Special Consultant to the Governor of the Reserve Bank of India, where he was actively involved in developing proposals for reform of the government debt markets, linkages between general financial sector deregulation and the development of the bond market, as well as issues of market structure, drawing upon the experience of other developing countries.</p>
<p>Jawaharlal Nehru University (JNU), New Mehrauli Road, New Delhi 110067. Phones: +91-11-26742676, 26742575, 26741557 Fax: 26742580</p>	<p>Dr. Saumen Chattopadhyay Associate Professor, Zakir Husain Centre for Educational Studies, School of Social Sciences, Email: sauchatto@yahoo.com; saumen@mail.jnu.ac.in</p>	<p>He is a senior economist specializing in Central and State Government finances, international finance, macroeconomic issues related to corruption and the black economy, and development economics, in general. He has been involved with various fiscal research projects focusing on customs laws, tax compliance, and state finance. He is currently engaged in a comparative research study in collaboration with the Institute of Education (IOE), London focusing on public funding of higher education.</p>
<p>Centre for Policy Dialogue (CPD) House#40/C, Road#11 Dhanmondi R/A GPO Box 2129</p>	<p>Dr. Mustafizur Rahman, Executive Director Email: mustafiz@cpd.org.bd Telephone: 880 2 9141655 Fax: 880 2 8130951</p>	<p>He is serving as Member of Bangladesh Economic Association (BEA) as well as the Working Group on WTO, Ministry of Commerce. He specializes in Trade sector performance, backward and forward linkages, trade policy analysis, export</p>

Dhaka - 1205, Bangladesh		competitiveness issues including technology, exchange rates and incentives, regionalization and regional economic cooperation in South Asia, foreign aid, globalization and its multidimensional implications for Bangladesh's external sector performance.
Institute of Governance Studies (IGS), BRAC University, 40/6, North Avenue, Gulshan-2 Dhaka 1212, Bangladesh Tel: +88 02 881 0306, 881 0320, 881 0326, +88 01199 810 380 Fax: +88 02 883 2542 Email: igs-info@bracu.ac.bd	Mr. Manzoor Hasan, Director Email: Mhasan56@yahoo.com	He was the founding Executive Director of Transparency International Bangladesh (1996 to 2003) and then the Regional Director (Asia-Pacific) of Transparency International in Berlin. Mr Hasan was awarded the Officer of Order of the British Empire (OBE) by Her Majesty Queen Elizabeth II in 2003 for his work on transparency. In 2004 Mr. Hasan re-joined BRAC as its Deputy Executive Director. For BRAC University, he was instrumental in putting together a Masters Degree programme in Governance & Development.
Institute of Policy Studies of Sri Lanka 99 St, Michael's Road Colombo 03 Sri Lanka	Dr. Saman Kelegama, Executive Director Email: ed@ips.lk Telephone: 00 94 11 2431368 Facsimile: 00 94 11 2431395	He is a trade policy economist who also works on industrial economics, public enterprise reform, and macroeconomics. He is a Fellow of the National Academy of Sciences of Sri Lanka. He was a Visiting Fellow at the Australia South Asia Research Centre, Australian National University, Canberra, Australia (1998); Government of India Distinguished Visiting Scholar (1998); Salzburg Fellow (1997); USIS International Visitor (1993); and Visiting Fellow, Institute of Social Studies, The Hague, The Netherlands (1992/3). He has served as a consultant to the World Bank, ADB, UNDP, UNIDO, ILO, UN-ESCAP, Commonwealth Secretariat, among other organizations.
	Dr. Dushni Weerakoon, Deputy Director & Head of Macroeconomic Policy Research Email: dushni@ips.lk	Since joining the IPS in 1994, her research and publications have covered areas related to regional trade integration, macroeconomic policy and international economics. She has extensive experience working in policy development committees and official delegations of the Government of Sri Lanka including as a member of the Macro and Trade Policy Steering Committee of the Ministry of Policy Development and Implementation and as an

		official delegate to the Committee of Experts to negotiate the South Asian Free Trade Agreement. She currently serves on the Trade and Tariff Committee of the National Council for Economic Development (NCED) of the Ministry of Finance, Sri Lanka.
<p>Institute for Integrated Development Studies (IIDS), Mandikhatar, Kathmandu, Nepal P.O. Box 2254 Tel: 977-1-4378831 / 4371006</p> <p>Fax: 977-1-4378809</p> <p>Email: iids@wlink.com.np Website: www.iids.org.np</p>	<p>Dr. Bishnu Pant, Executive Director Email: bishnu.pant@gmail.com bdpant@iids.wlink.com.np</p>	<p>Dr. Pant worked in the Asian Development Bank (ADB), Manila in different capacities for more than 12 years since April 1996, and was mostly responsible in assisting the ADB developing member countries improve their statistical systems. His contribution in successfully completing the 2005 round of ICP Asia Pacific has been highly commendable. He also worked in the United Nations Economic and Social Commission for Asia and the Pacific (UN-ESCAP), Bangkok as Chief of the Statistical Information Services Section from April 1986 to March 1996. His major areas of expertise include statistics and national accounts.</p>
	<p>Dr. Mahesh Baskota, Treasurer Email: mbanskota@ku.edu.np</p>	<p>Dr. Mahesh Baskota, is also currently serving as the Dean, School of Arts, Kathmandu University. He has formerly served as Country Representatives at The World Conservation Union (IUCN), Nepal Country Office; Deputy Director of ICIMOD and Programme Director of Nepal Staff College; as well as Associate Professor at the Centre for Economic Development and Administration (CEDA).</p>

Annex II: Workshop Agenda

1st DAY	DATE: 8th of August, 2010
0800-0855	Registration
0900	Guests to be seated
0900-0910	Inaugural/Welcome Address by IDRC Representative
0910-0930	Keynote Address by Advisor, GINI
0930-1100	Session-I: Political economy of tax regimes in South Asia
	Co-Chaired by:
	<ul style="list-style-type: none"> • Mr. Sartaj Aziz, Vice Chancellor, BNU • Dr. Govinda Rao, Director, NIPFP
0930-0935	Lead-in to Discussion by Dr. Shabbir Cheema, Director Asia-Pacific, East-West Center
0935-0950	India: Dr. Saumen Chattopadhyay, Assoc. Professor, JNU
0950-1005	Pakistan: Dr. Khalida Ghaus, Managing Director, SPDC
1005-1020	Bangladesh: Mr. Manzoor Hasan, Director, IGS
1020-1035	Sri Lanka: Dr. Saman Kelegama, Executive Director, IPS
1035-1050	Nepal: Dr. Mahesh Baskota, Treasurer, IIDS
1050-1100	Open floor discussion.
1100-1230	Session-II: Recent and upcoming fiscal reforms in South Asia
	Co-Chaired by:
	<ul style="list-style-type: none"> • Dr. Mustafizur Rahman, Executive Director, CDP • Dr. Anwar Shah, World Bank
1100-1115	India: Dr. Govinda Rao Marapalli, Director, NIPFP
1115-1130	Pakistan: Dr. Idrees Khawaja, Associate Professor, PIDE (Prepared by Dr. Hafiz A. Pasha, Dean, School of Social Sciences, BNU)
1130-1145	Bangladesh: Dr. Mustafizur Rahman, Executive Director, CPD
1145-1200	Sri Lanka: Dr. Dushni Weerakoon, Deputy Director, IPS
1200-1215	Nepal: Dr. Mahesh Baskota, Treasurer, IIDS
1215-1230	Open floor discussion.
1230-1400	Session III: Fiscal federalism and decentralization in South Asia
	Co-Chaired by:
	<ul style="list-style-type: none"> • Dr. George Matthew, Director, ISS • Dr. Shabbir Cheema, Director, East-West Center
1230-1245	India: Dr. Suman K. Bery, Director-General, NCAER
1245-1300	Pakistan: Mr. Muhammad Asif Iqbal, Company Secretary, SPDC (Prepared by Dr. Aisha Ghaus Pasha, Director of Research, BNU)
1300-1315	Dr. Anwar Shah, Economist and Program Leader, World Bank
1315-1330	Ms. Maryantonett Flumian, President, IOG
1330-1345	Nepal: Dr. Mahesh Baskota, Treasurer, IIDS
1345-1400	Open Floor Discussion
1400-1500	Lunch
1500-1830	Parallel Breakout Sessions of Collaborative Workgroups

2nd DAY	DATE: 9th of August, 2010
0900-1300	<p>Session IV: Presentation of Methodologies by Thematic Work Groups</p> <p>Co-Chaired by:</p> <ul style="list-style-type: none"> • Dr. Idrees Khawaja, Associate Professor, PIDE • Dr. Saman Kelegama, Executive Director, IPS
0900-0930	25 minute Presentation on Theme 1 Methodology and 5 minute Q & A
0930-1000	25 minute Presentation on Theme 2 Methodology and 5 minute Q & A
1000-1030	25 minute Presentation on Theme 3 Methodology and 5 minute Q & A
1030-1400	<p>Session V: Development of Integrated Proposal</p> <p>Co-Chaired by:</p> <ul style="list-style-type: none"> • Dr. Bishnu Pant, Executive Director, IIDS • Mr. Daniyal Aziz, Advisor, GINI
1400-1500	Lunch
1500-1830	<p>Session VI: Organization & Planning</p> <p>Co-Chaired by:</p> <ul style="list-style-type: none"> • Mr. Manzoor Hasan, Director, IGS • Ms. Maryantonett Flumian, President, IOG
1515-1600	Roles and Responsibilities
1600-1645	Communication and Coordination Protocols
1645-1730	Activity Planning
1730-1815	Financial Protocols
1815-1830	Closing Address