

**DEPARTMENT OF THE TREASURY  
INTERNATIONAL AFFAIRS TECHNICAL ASSISTANCE  
2009 REPORT TO CONGRESS**

Section 129 of the Foreign Assistance Act of 1961, as amended, authorizes the establishment of a Department of the Treasury program to provide technical assistance to governments and central banks of developing or transitional countries. This legislation also requires Treasury to prepare and submit this report on the conduct of the Treasury International Affairs Technical Assistance program by Treasury's Office of Technical Assistance (OTA).

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b>	<b>1</b>
<b>2009 REPORT</b>	<b>3</b>
<b>PROGRAM MANAGEMENT AND FUNDING</b>	<b>4</b>
<b>Project Identification and Selection</b>	<b>6</b>
<b>Effectiveness</b>	<b>7</b>
<b>Project Delivery Models</b>	<b>8</b>
<b>2009 PROGRAM EVALUATION</b>	<b>12</b>
<b>REGIONAL AND COUNTRY PROJECTS</b>	<b>13</b>
<b>COUNTRY SPECIFIC HIGHLIGHTS</b>	<b>16</b>
<b>ANNEX 1: STRATEGIC PLAN 2006-2010</b>	<b>26</b>
<b>TABLE A - FISCAL YEAR 2009 BUDGET EXECUTION PLAN</b>	<b>28</b>
<b>TABLE B - FISCAL YEAR 2009 Non-TIATA Sources of Funding</b>	<b>32</b>

## 2009 Report to Congress

### **Executive Summary**

Effective oversight of public monies – whether domestic revenues or development assistance – is essential for economic growth as well as for sustainability of aid investments. A recent OECD report on aid effectiveness put it succinctly: “Successful development depends in large part on the efficiency, integrity, and effectiveness with which the state raises, manages, and expends public resources. Therefore, improving the formal and informal rules and institutions that govern these activities, and strengthening the related human and technological capacities, should be a major component of any development approach.”

The Treasury Department’s international technical assistance program, managed by the Office of Technical Assistance (OTA), supports the development of strong financial sectors and sound public financial management in developing and transition countries by providing specialized assistance in five areas: revenue, budget, debt, banking and economic crimes.

This report details 2009 program developments and resource expenditures of OTA. In sum, during 2009, OTA conducted 119 projects in 57 countries throughout Latin America, Africa, Asia, the Middle East, Central and Eastern Europe, and the Former Soviet Union. The following accomplishments and program developments were particularly noteworthy.

- *Financial Crisis Response.* In mid-2009, Congress passed supplemental funding for Treasury and other agencies to help poor countries cope with the rolling effects of the financial crisis. In order to respond to immediate needs, OTA reallocated some of its direct appropriation and deployed rapid response teams to affected countries such as El Salvador, Cambodia, Latvia and Kazakhstan.
- *Afghanistan.* In 2009, Treasury increased the number of its advisors in Afghanistan as part of the broader USG civilian lift. Treasury assistance supported the completion of reforms under the Heavily Indebted Poor Countries initiative, which resulted in \$230 million in debt relief over 20 years from the World Bank and the Asian Development Bank. Treasury is on course to have its largest contingent of advisors ever deployed to one country in Afghanistan in 2010. This deployment will bolster efforts to create the Finance Ministry’s internal control unit and to help improve budget execution at the local level.
- *Haiti.* In 2009, OTA partnered with Haitian institutions charged with combating economic and financial crimes. This resulted in the seizure from Haitian drug traffickers of over \$20 million worth of assets. In 2010, OTA plans to increase significantly its assistance to Haiti as part of the USG and international reconstruction effort.

- *Iraq.* In 2009, OTA adjusted the scope of its engagement to include assistance in debt management and local capital market development, revenues, and central bank IT development. Treasury continued to provide assistance to support more effective execution of the Iraqi budget.
- *Infrastructure finance advisors.* The lack of adequate infrastructure is widely recognized as a roadblock to development. In 2009, OTA launched a new targeted effort to improve the capacity of governments to structure and implement Public-Private Partnerships and other means of financing infrastructure.
- *Debt issuance and management.* OTA supported the efforts of a number of countries, such as Costa Rica, Guatemala and Indonesia, that were struggling to maintain spending for critical social programs and anti-poverty initiatives while meeting debt obligations. These countries therefore had to raise an unprecedented amount of money in their domestic bond markets. OTA helped these governments successfully secure the required funds by adjusting debt issuance strategies, and by offering investors a broader choice of instruments and maturities.
- *Fewer but Stronger Engagements.* In 2009, Treasury pushed ahead with a multi-year effort to engage more selectively, focusing on those countries committed to using our assistance well, while strengthening our engagement in such countries across the financial sector – a systemic approach that takes advantage of complementarities among OTA teams. For example:
  - OTA launched four new projects in Cambodia working in the areas of budgeting, revenue management, banking supervision and insurance regulation.
  - In Guatemala, a single tax administration project has been complemented by new programs in budgeting, debt, financial access and central banking.
- *Regional Efforts.* As OTA has deepened its bilateral engagements, it has also selectively supported regional reform and convergence efforts.
  - For example, OTA has projects in all five countries of the East Africa Community – Burundi, Kenya, Rwanda, Tanzania, and Uganda -- where members have shown a commitment to achieving monetary and financial convergence.
- *Strengthening Internal Management.* In its ongoing effort to evaluate and improve its performance, OTA conducted an annual review of all its projects to assess performance. Management also conducted an efficiency review to streamline processes and ensure that the maximum amount of funding flows to programs in the field. The latter review laid the ground work to revamp OTA's internal financial systems beginning in 2010.

## 2009 Report

### Mission and Background

OTA's core mission has remained constant since its creation in 1991: to develop strong financial sectors and sound public financial management in countries where assistance is needed and there is a strong commitment to reform. Government financial management in all countries performs a dual function – laying down a framework for national economic growth on one hand, and providing fiscal governance on the other. These responsibilities, when well executed, create the pre-conditions for stability and sustainable progress. Where public financial management is weak, success in public projects is unlikely at best. OTA directs its financial technical assistance efforts to giving countries the foundation on which prosperity and social progress can be built.

Early in OTA's history, its mission was directed toward providing support to former communist countries in Eastern Europe and the former Soviet Union as they transitioned from centrally controlled to market-based economies. In 1998, Congress amended the Foreign Assistance Act to authorize a Treasury program (Treasury International Affairs Technical Assistance – "TIATA") for technical assistance to foreign governments and central banks in developing or transition countries worldwide. The legislation authorizes Treasury to provide advisors with appropriate expertise "to advance the enactment of laws and establishment of administrative procedures and institutions in such countries to promote macroeconomic and fiscal stability, efficient resource allocation, transparent and market-oriented processes and sustainable private sector growth." Since 1998, Treasury has received a separate appropriation every year (the "TIATA funds") for OTA activities.

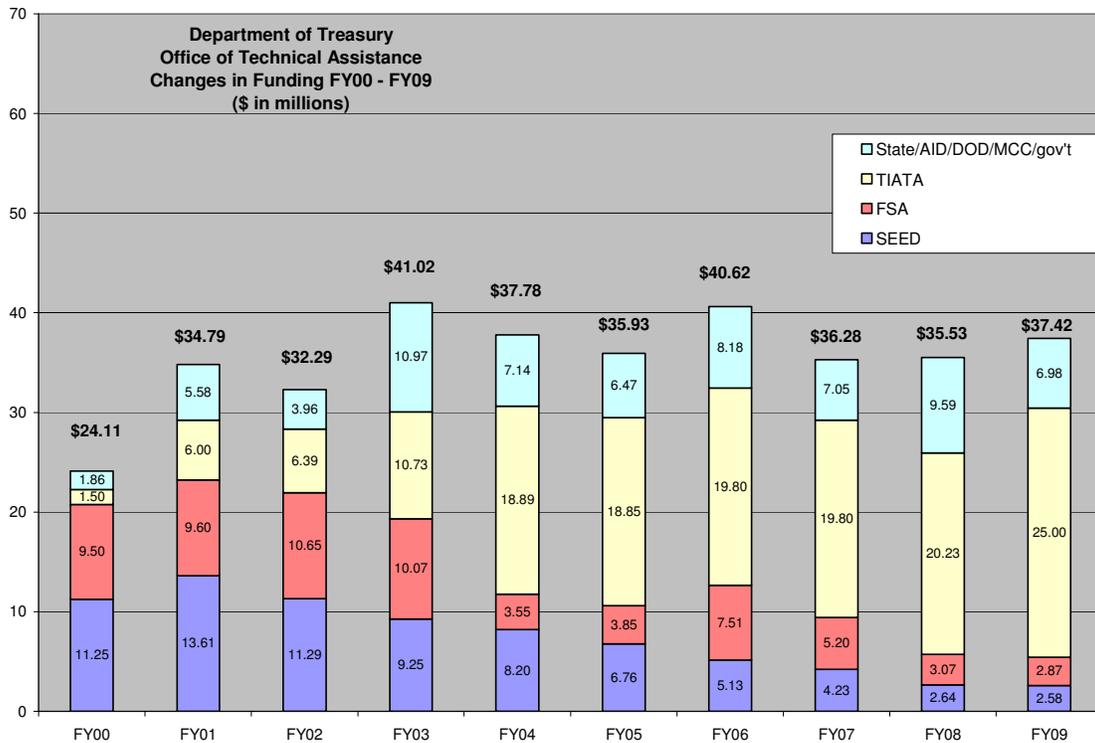
The TIATA legislation stipulated that "technical assistance shall include elements designed to combat anti-competitive, unethical, and corrupt activities, including protection against actions that may distort or inhibit transparency in market mechanisms and, to the extent applicable, privatization procedures." With the events of September, 2001, the OTA mission expanded to include financial law enforcement assistance that combats international terrorism.

The conditions under which the mission has been carried out have, at times, been extraordinarily challenging. For example, OTA sent advisors into Bosnia in early 1996, just after the December, 1995 Dayton Peace Accords were signed. Advisors were sent to Kosovo in 1999 with the signing of UN Security Council Resolution 1244. The first U.S. Government civilian technical advisor into Afghanistan in 2002 was an OTA advisor. In 2003, a team of OTA advisors followed U.S. troops into Baghdad, and were instrumental in setting up processes for paying Iraqi civilian employees and getting cash into circulation.

## Program Management and Funding

In FY 2009, OTA conducted 119 projects in 57 countries (including regional initiatives). Funding for these projects totaled approximately \$50 million. Eighty-one of these projects, with a combined budget of \$27.6 million, were financed either wholly or partly by TIATA funds. About a third of the projects were in Africa; a third in Latin America and the Caribbean; and a third throughout the rest of the world. Tables A and B at the end of this report provide additional data on OTA’s sources and uses of funding in FY 2009.

OTA initiated 47 TIATA projects in 2009. The 47 projects were in Latin America (Argentina, Chile, Colombia, Costa Rica, Guatemala [3], Haiti, Honduras, Mexico, Paraguay [2], Peru, Uruguay [2], and regional projects on small and medium enterprises, gaming, and auditing); Africa (Lesotho [2], Liberia, Mozambique, Rwanda, Senegal, Tanzania, Zambia and regional projects in East and West Africa); Asia (Cambodia [3], Indonesia [2], Vietnam [2], and an economic crimes regional project); in the Near East and North Africa (Algeria [2], Egypt, the Palestinian Monetary Authority, and Pakistan [2]); and regional and global projects addressing economic crimes, PEPFAR, targeted sanctions, rapid response to financial crisis, and cash forecasting.



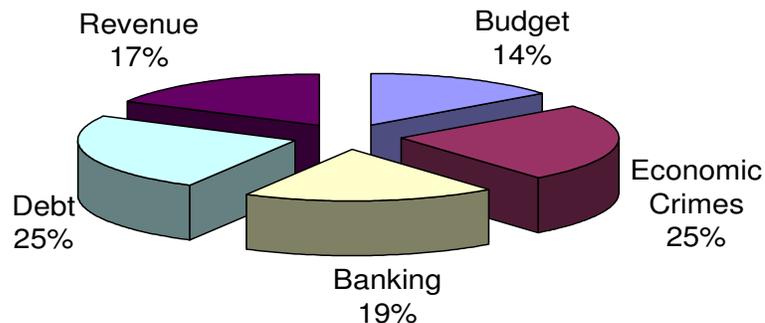
Note: For comparison purposes the above figures exclude TIATA carryover funds and supplemental appropriations (Iraq, Afghanistan, etc.).

As the chart above indicates, TIATA appropriations have grown to be the single largest resource available to OTA for pursuing its mission. In addition to TIATA funding, OTA continues to receive Support for East European Democracy (SEED) Act and the Freedom Support Act (FSA) resources, although these latter resources have declined at an

accelerated pace in recent years as the countries in these regions have become more self-sufficient and U.S. Government technical assistance less needed. TIATA funding can sometimes be used to co-fund projects with USAID, State's Bureau of International Narcotics and Law Enforcement (INL), and other entities. OTA also receives funding through occasional supplemental appropriations. This funding, which has been used for countries such as Afghanistan and Iraq, is available only as exceptional needs arise and therefore not included in Table A, which focuses on "core" funding. Table B provides Fiscal Year 2009 Non-TIATA Sources of Funding (see tables in annex).

Among OTA's five core assistance areas, the breakdown in terms of project funding in 2009 was as follows: Revenue 17%; Budget 14%; Economic Crimes 25%; Banking/Financial Institutions 19%; and Debt 25%. The chart below shows the allocation of OTA project funding by team.

### 2009 TIATA Budget Allocation By Team



OTA projects support important objectives in each of these five program areas: enhanced revenue collection and administration; improved budget formulation and execution; strengthened capacity to combat terrorist financing, money laundering, and other economic crimes; more effective banking systems; and better debt management. OTA projects also support a range of Treasury Department policy priorities, as well as broader USG foreign policy and national security goals.

- Support for countries that are U.S. foreign policy or national security priorities, such as Afghanistan, Pakistan and Iraq.
- Support for developing and transition countries affected by the financial crisis.
- Support for regions and countries that are especially important in the fight against terrorist financing and money laundering.
- Support for countries where development assistance needs are compelling, notably in Sub-Saharan Africa and parts of Latin America, the Caribbean and Asia.

- Collaboration with other assistance providers, such as USAID, MCC, and State/INL, in an effort to leverage complementary efforts.

### Project Identification and Selection

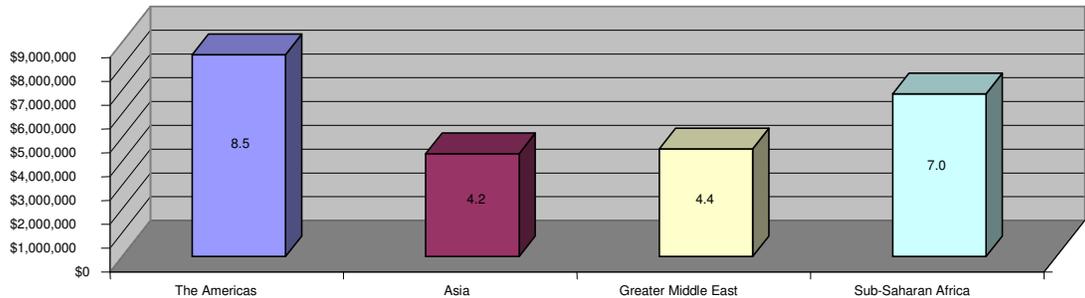
Information about potential projects and requests for assistance come from many sources, including bilateral policy discussions, formal written requests from foreign governments, consultations with relevant Treasury offices, U.S. embassies, USAID missions, and from OTA advisors already on the ground doing other projects.

For requests that are determined to be within OTA's mandate and potentially viable, an on-the-ground assessment is carried out by subject matter experts, with the concurrence of the potential counterpart and with the clearance of the U.S. embassy. Assessment results are shared with potential counterpart management and the embassy. No project begins without agreement on the part of country officials that project goals are mutually understood and supported. In our experience, goals and objectives that are not "owned" by the counterpart country are seldom achieved. Assessments are also conducted periodically (typically once per year) of ongoing projects.

Assessment results of potential and ongoing projects are compiled, vetted, and submitted by the managers of each of OTA's five core disciplines for policy-level review. Decisions to initiate new projects, or to continue or terminate existing projects, are based on a number of criteria and considerations, notably: the counterpart's need for technical assistance; evidence of the counterpart's commitment to reform and to use assistance well; whether the project would usefully complement other projects in a particular country or region; the project's relation to Treasury policy priorities and broader USG goals; and the availability of funding. Special consideration is given to sustaining projects that are already demonstrating good results. OTA discontinues projects that are not showing results.

The number of promising projects typically exceeds available resources. In FY 2009, OTA was able to fund 67% of the number of projects that were considered promising enough to merit careful consideration. The final results of the project selection process are displayed at the end of this report in Table A, Fiscal Year 2009 Budget Execution Plan. Eighty-one separate projects (compared with 60 in FY 2008) are grouped geographically or as global projects in the following categories: Sub-Saharan Africa, Latin America and the Caribbean, Middle East/North Africa, and Asia.

## 2009 TIATA Budget Allocation By Region (dollars in millions)



Note: The above figures exclude global and multi-region projects.

In addition to country-specific projects, budgetary allocations were made for senior and regional advisors, global anti-terrorist activities, and global information technology assistance in support of combating financial crime, economic crimes assessment missions, and cross-discipline regional missions.

The final version of the FY 2009 Budget Execution Plan employed \$27.6 million of TIATA funds (including prior year carryover).

### Effectiveness

Over the years, OTA has come to realize that two elements have been especially important to our effectiveness. One is that we are part of the Treasury Department. This creates an institutional “kinship” with our counterpart ministries of finance, central banks, revenue administrations, and other financial institutions, and serves as a foundation for building a working relationship of trust between the advisor and the non-U.S. counterpart.

The second critical element has been the dedicated TIATA account funded by annual appropriations. This funding channel, while very small as a share of overall USG funding for economic governance TA, has provided the necessary foundation for the development of a reliable, coherent program that supports Treasury’s international policy priorities. The TIATA account has been especially important as other sources of funding have declined in recent years.

### Project Delivery Models

OTA carries out technical assistance projects based on two basic designs: residential and intermittent. A residential project is anchored by an expert advisor living in the counterpart country, typically for a period of several years, and working side-by-side with counterparts in the Ministry of Finance, Central Bank, tax administration authority, or

other government financial institutions. Our experience has been that working directly with the counterpart over a sustained period of time is critical for transferring knowledge and strengthening systems, especially in countries where government capacity is very limited. A resident project frequently includes, in addition to a resident advisor, the participation of short-term visits by experts in specialized areas.

For an intermittent project, an advisor or group of advisors typically spend periods of two to three weeks at a time over several years working with counterparts. Between these multi-week direct engagements, the counterparts are usually expected to carry out planned activities that are directed toward the objectives stated in a mutually-agreed-upon work plan. Contact between intermittent advisors and counterparts by email, phone, or other means are common and often frequent. OTA often hires a permanent, full-time program assistant in country to support the intermittent project.

The central factor controlling whether a residential or intermittent project model is selected lies in the understanding between the counterpart and the advisor of the nature of the problem to be solved and the best and most practical solutions to that problem. A project might, for instance, use one intermittent advisor who was in country for a total of three months over the course of a year. Another intermittent project might use two intermittent advisors who rotated, providing uninterrupted contact with counterparts. Several intermittent advisors, each with different technical specialties, might be present at any one time.

There are certain elements common to both residential and intermittent projects. All projects require that advisors carry out their work in the country where the project is located. With the exception of rare study tours to other countries to get first-hand experience of exemplary practice, meetings at international conferences, and regional projects, OTA does not work with non-U.S. government officials outside of the counterpart country. We consider this in-country model to be critical to project success. Working side-by-side in the same workplace as our counterparts is an important element in building trust over time. Often the counterpart organization begins to think of the advisor as “one of us” during the course of a project.

OTA’s small administrative staff in Washington, D.C. is focused on supporting projects in the field (travel, contracting, pay, personnel administration, project oversight, management review, finance, program representation, response to official queries on program activities, and executive oversight).

Once a residential or intermittent project is selected for funding, a Terms of Reference (TOR) is discussed and agreed upon with the counterpart and co-signed. The TOR describes the broad goals of the project and represents a bilateral understanding at the policy level between the U.S. Treasury and the counterpart. Within a short period (normally six to eight weeks) after signing the TOR, a work plan is developed and agreed upon between the advisor and the working counterpart. This plan specifies objectives and planned completion dates, and is the primary basis for regular monthly progress reports to headquarters. The monthly reports are shared with counterpart institutions, U.S. Embassy

staff, other bureaus and offices in Treasury, and other interested partners such as USAID, MCC, and the International Financial Institutions (IFIs). The reports form the information base for responses to project queries generated by U.S. Government officials.

Treasury bears the cost of advisor salary, travel, and personal support. It also pays for office equipment and a local national program assistant. Treasury does not transfer funds or equipment to the counterpart country ministry as a regular part of project delivery. The host institution must provide office space for the advisor in its own headquarters building. It must also provide adequate electrical and communications connections. OTA is firm on these requirements, and has ended projects where the TOR was not respected.

### *Post-Conflict Engagements*

OTA has engaged frequently and widely over the years in post-conflict settings. These engagements are distinct from other projects in a number of respects: physical danger; difficult working/living conditions; the need for close coordination between civilian and military personnel; sometimes the presence of special civilian authorities (e.g., the Coalition Provisional Authority in Iraq, the Office of the High Representative in Bosnia); and a sense of special urgency due to political, military and reconstruction imperatives. Frequently, especially in the early stages of engagement, there is no opportunity to develop carefully considered, mutually agreed terms of reference and work plans with the counterpart. The following subsections details noteworthy accomplishments in Treasury's two principal post-conflict engagements, Afghanistan and Iraq.

#### *Afghanistan*

In 2009, OTA began a significant increase in its advisory corps in Afghanistan as part of the broader civilian lift. Broadly, our efforts are aimed at (1) strengthening public finance management – strengthening budget systems, increasing domestic revenue, building capacity to conduct financial audits, enhancing debt management; and (2) strengthening the resilience of the financial system against abuse. OTA works primarily with the Ministry of Finance, the Central Bank, and a specialized Major Crimes Task Force.

Thanks to strong macroeconomic management generally, and the completion of a number of specific reforms in 2009, Afghanistan was granted Completion Point status under the Enhanced Heavily-Indebted Poor Countries (HIPC) initiative in March 2010. This major accomplishment will bring cancellation of approximately \$1.6 billion in debt from Paris Club members, the IMF, World Bank and other creditors.

OTA's government debt team has been engaged in Afghanistan since August 2003, providing training and support in debt management and cash management. Two resident advisors served from 2003 until December, 2008, and intermittent support has continued in 2009-2010 through quarterly visits and regular e-mail contact. An important accomplishment was the establishment of a regular quarterly cycle that reports information on the country's external debt. These reports have been published

successfully each quarter since March 21, 2008, and include disbursements, repayments and debt forgiveness during the quarter, and debt stock at the end of the reporting period. The loan repayment process has also been regularized, and a structure has been put in place for testing concessionality for all new loans. In late 2008, Afghanistan's Ministry of Finance procured a well-recognized debt recording and management system to help manage its external debt, replacing a myriad of Excel spreadsheets previously used for this purpose. This system was successfully installed in January 2009 with assistance by OTA, and has provided the debt management unit with a significant increase in the quality and quantity of debt information.

The OTA budget team's effort in Afghanistan has focused on providing strategic-level advice to the Government of Afghanistan (GOA) Treasurer on strengthening public financial management within the Ministry of Finance (MoF) and across the government; assisting in monitoring the government cash position; developing capacity within the Cash Management Unit to improve cash forecasting; advising on updating the Afghan Treasury reform strategy; setting various goals and action plans for units within the GOA Treasury Department; monitoring the rollout of financial management systems and reforms (such as a verified payroll program); and assisting in the improvement of financial reporting including determining informational bottlenecks, improving the flow of information, and determining the best sources of specific information.

The OTA revenue team is providing assistance to the MoF in collecting non-tax revenues and improving the internal audit function. The team is working with the Ministry of Transport and Civil Aviation to design and implement a basic revenue collection system at Kabul International Airport that will establish a transparent, auditable, and sustainable process for collecting aviation fees. In December 2009, a needs assessment at the Director General of Internal Audit (DGIA) led to the outline of a program to guide the Ministry of Transport on the proper use and function of internal audit. The program includes developing and conducting training programs in basic government accounting, internal audit procedures, fraud investigation, and audit techniques for information technology. In addition, OTA is helping define and clarify the role of internal audit in connection with Article 61 of the Public Finance and Expenditure Management Law, a law that would allow the DGIA to conduct internal audits of all ministries.

The OTA economic crimes team has focused on developing a financial intelligence unit (FIU) staffed and trained to develop, populate, and access a database that contains reports on large cash transactions and suspicious activities from financial service providers, including, significantly, hawaladars. FIU analysis of information in this database supports, and is shared with, law enforcement agencies in Afghanistan and strengthens the regulatory regime to conform to international norms for preventing money laundering and terrorist financing. OTA efforts in Afghanistan have supported greater regional and international information exchange and cooperation including: membership in the Asia Pacific Group on Money Laundering; observership of the Eurasian Group on Money Laundering; an observership request to the MENA Financial Action Task Force (the regional body for the Middle East); memoranda of understanding signed with approximately a dozen other FIUs, including several in the neighborhood of Afghanistan:

Japan, Russia, the United Kingdom's Serious Organized Crime Agency; a Memorandum of Understanding requested for information sharing with Treasury's Financial Crimes Enforcement Network; and a membership application submitted to the Egmont Group of Financial Intelligence Units that had the United States and Malaysia as sponsors.

### Iraq

In 2009, as for the preceding several years, OTA's largest engagement in the world was Iraq with an average of 10 resident advisors over the course of the year. Treasury's efforts were focused on strengthening public finance management (especially budget execution), support for the Central Bank (monetary policy), and restructuring state-owned commercial banks.

For much of 2009, Treasury's work in the area of public finance was implemented under the aegis of the Public Finance Management Action Group (PFMAG), an interagency partnership between the Department of Treasury and the United States military. With the reduction in U.S. military personnel, the PFMAG's functions were merged into the U.S. Embassy structure.

OTA accomplishments include:

- Helped build capacity in the Finance Committee at the Council of Representatives to analyze the budget and associated budget law;
- Analyzed proposals associated with bank restructuring;
- Established reporting mechanisms for budget execution and budget project tracking;
- Established a Ministry of Finance website with a user-friendly web page design; created a new web strategy for the Ministry; and increased transparency through continued updating of information, multi-lingual data, and consistency of reporting;
- Worked with the Committee on Accounting Reform to document the accounting framework, as a first step in establishing the reform work plan and objectives;
- Coordinated with the World Bank to ensure that objectives are established in alignment with Iraq Public Finance Management Action plan; and,
- Coordinated work activities with USAID and the UK's Department for International Development, ensuring cooperation and consolidated efforts at the Ministry of Finance and Iraqi Council of Representatives (parliament).

OTA banking advisors have been assisting with the restructuring of Iraq's two state-owned commercial banks -- Rafidain and Rasheed. The main focus of U.S. Treasury assistance has been the financial restructuring of these banks, the completion of the financial and operations audits of both banks, and the development of draft strategic and operational restructuring plans consistent with the audit recommendations. OTA assists in the implementation of core banking systems at both of these state-owned banks, a critical step in their evolution into modern financial institutions. Advisors are also working with the Central Bank of Iraq (CBI) on a bank supervisory data solution that will provide better and timelier information to senior management of the CBI. Other areas of

collaboration include strategic planning for the CBI; ongoing advice to Governor Shabibi on the conduct of Iraqi monetary policy, which has continued to keep Iraq's consumer price inflation in check; central bank physical security; and assistance as the CBI relocates to a new facility with sound security protocols.

## **2009 Program Evaluation**

OTA's continuously verifies and evaluates its own performance. Building on its initiatives in 2008, OTA conducted a review of all technical assistance projects to verify performance. It also reciprocated a peer-review process begun with the Australian Treasury in 2008.

In 2008, OTA launched a tool to enhance its performance measures. This instrument, which was several years in the making, uses evaluations by resident advisors to rate projects based on both the level of engagement with the host government ("traction" in OTA parlance) and the changes that result from that engagement based on technical indicators specific to each of the five financial disciplines (what OTA calls "impact"). This innovative approach was showcased by the OMB Associate Director for Administration and Management in its presentation at the annual Excellence in Government Conference in 2008. Results from 2008 encouraged OTA to forecast goals for the next three years of 3.6 for Traction, and 3.1 for Impact – on a five-point scale. Though it had no way of predicting what the results might be for 2009, OTA was gratified when results for FY 2009 were on or quite close to our targets: 3.7 for Traction and 3.1 for Impact. In 2010, OTA will have three years of data and will be able to use the measures to look at trends and individual country movements.

In 2009, the Department of the Treasury of the Government of Australia conducted a professional peer review of OTA work to assess its effectiveness. The review was beneficial and contributed to OTA's mid- and long-term planning. The process was so successful that the Australian Treasury requested that the U.S. Treasury reciprocate the process, evaluating Australian financial technical assistance projects. The results of this second peer-review were presented to an international group of representatives from other countries who engage in financial technical assistance. The process was highly beneficial to both parties. The Australian Treasury became aware of how their projects were judged on process and results from a professional and technical point of view by an entity (OTA) that had no agenda but accurate reporting and evaluation. OTA itself also benefitted since the process required that we determine the relevant areas to evaluate, set criteria and methods to conduct the study, and fairly judge the work being done by a peer agency. Both parties felt they were served well. On the basis of OTA's experience, we are recommending this process of voluntary peer review to other technical assistance organizations.

## **Regional and Country Projects**

**Government Debt (institutional, country, and regional capacity building) in East Africa:** The East African Community (EAC) is the regional intergovernmental organization of Kenya, Uganda, Tanzania, Rwanda and Burundi. During the past decade there have been positive moves toward a monetary union, a common market, a political union, and an East African Single Tourist Visa. The East African Court of Justice, the East African Legislative Assembly, and an East African Passport have already been established. Through OTA debt team country projects, we are supporting these cooperative regional efforts. OTA assisted the Banque Nationale du Republique du Burundi in initiating the country's five-year Financial Market Development Plan, which involved a broad range of domestic stakeholders in a participatory process as part of the East Africa Community Monetary & Financial Affairs convergence criteria. A debt project guided the Bank of Uganda in developing and implementing a new financial regulatory framework for the government securities market. In Kenya, OTA advised the Central Bank on the development and implementation of an inter-dealer market repurchase agreement to support secondary market liquidity and enhance market efficiency. In Rwanda, OTA assisted counterparts in the development and implementation of enhancements to the debt issuance program, including adapting a methodology for evaluating bids in the absence of other pricing guidelines. OTA assisted the Bank of Tanzania to advance key plans for its IT platform that will improve internal risk controls, provide the Government with "real time" cash balances, and meet East African Community criteria for the harmonization of payments across the five countries in the region.

**Tackling Roadblocks to Development – Infrastructure:** An adequate supply of infrastructure – transportation (roads, airports), energy (generation plants, electric grids), school and hospital facilities, water and waste management systems. – has long been viewed as a key ingredient for economic development. In 2009, OTA created the infrastructure finance team (IFT), an initiative focused on strengthening the capacity of Latin American and Caribbean governments to structure and implement public-private partnerships and other means of financing infrastructure projects. Composed of specialists from OTA, and in collaboration with the Government of Chile, IFT provides technical assistance to promote accelerated development and implementation of well-designed and fiscally sound infrastructure projects throughout the region. The Government of Costa Rica is hosting the pilot project for the IFT program, which is focused on helping the Ministry of Finance, along with the Ministry of Public Works and Transportation and the National Concessions Council, to finance and develop several high profile projects, including a major international airport, a primary commercial seaport, and light rail and toll road projects in the capital, San Jose. Helping ministries of finance to successfully navigate these complex, but critical, infrastructure deals is a new strategic focus for OTA, and the lessons learned from this pilot project will inform the program going forward.

**Broadening and Deepening OTA Engagements:** Experience has convinced OTA that the approach with the greatest return on effort is to engage in reform of financial processes within a single country or region on a broad front, in a planned and sustained effort. The overall benefit of such an approach is that financial reform in our counterpart country is given a high priority, and generates purpose, focus and energy to a greater degree than gradual and less interdependent measures carried out over a longer period of time. Guatemala, Cambodia and Vietnam are examples of the kind of program interventions that OTA has found to be most productive.

In Guatemala, four OTA teams conduct projects that cover a broad range of financial technical assistance. The budget project addresses budget execution projections, cash flow projection tools, transparency of government trust funds, macroeconomic estimates, revenue projections, and the fiscal impact of policy proposals. The revenue project focuses on audit planning and specialized compliance issues, management of the collection function, human resources management, audit reporting, overcoming audit obstacles, and increasing taxpayer compliance. The debt project seeks to create a new public debt law, introduce standardized fungible dematerialized government securities, enhance auction calendars, eliminate tax distortions, develop strategies for retail distribution of government securities, and strengthen government and central bank communications with the market. And the banking project works on measures to promote lending to small and medium-sized entrepreneurs, corporate governance, and consumer protection. At a regional level, the banking project supports the adoption of regulations that buttress broader financial inclusion of small and micro entrepreneurs.

In Cambodia, the banking project promotes capacity for off-site inspection, upgrades the National Bank of Cambodia (NBC) capacity to supervise micro-finance institutions, provides top NBC management with global studies on overall banking system and risk identification frameworks, and develops the capacity to produce economic forecasts to support implementation of monetary policy. The economic crimes project assists in the design, organization and implementation of a financial intelligence unit, and the development of the legal and regulatory frameworks necessary for implementing an effective anti-money laundering/counter financing of terrorism national strategy – including mechanisms to fight trade based money laundering, bulk cash smuggling, organized crime, corruption, and other serious financial crimes. The budget project addresses identification and definition of all budget entities, preparation of multi-year strategic budgets, program budgeting, integration of recurrent and capital budgets, incorporation of off-budget expenditures and revenues into the annual budget, and budget classification. The revenue project drafts regulations for taxes on oil and gas import production, develops tools to audit oil and gas enterprises, develops procedures for auditing financial institutions, the construction industry and the telecommunications sector, and promotes a taxpayer education system to increase compliance.

In Vietnam, all five OTA teams are engaged in projects at various stages. The government is still a socialist republic with limited expertise and virtually no institutions that support market economy functions. Nevertheless, the government of Vietnam is eager and dedicated to leading the country to participate actively in international finance

and commerce. The banking project provided assistance to the Ministry of Finance on small and medium enterprise guarantee fund operation, and arranged a workshop with the U.S. Small Business Administration. The project also provided assistance regarding the Law on the State Bank of Vietnam and the Law on Credit Institutions. The economic crimes project coordinated and provided oversight of technical assistance programs to combat money laundering and terrorist financing, trade based money laundering, bulk cash smuggling, organized crime, corruption, and other serious financial crimes. OTA has worked closely with embassy teams and other organizations such as the UN Office of Drugs and Crime to leverage assistance being provided. From 2007 through 2009, the OTA economic crimes team co-sponsored and conducted several activities in Vietnam, Laos and Cambodia as part of an overall Mekong Regional effort.

The budget project has begun deployment of an integrated Treasury and Budget management information system. This project also entails support for state budget and investment planning through medium term fiscal and expenditure frameworks, as well as development of a general accounting function within the Ministry of Finance to oversee and be responsible for the development of consolidated financial reports. The debt project works with the Ministry of Finance Banks and Financial Institutions Department on primary and secondary market development for government debt instruments, including the requisite infrastructure/mechanisms for trading and for transaction settlement, an organized distribution and market-making scheme, regulatory oversight, cash flow forecasting to support auction scheduling, and public outreach. The revenue project has helped shape a transformation of Vietnam's tax administration through its support of human relations reform, the creation of an organization-wide anti-corruption strategy, and the development of a comprehensive training program for managers and collections employees.

## 2009 COUNTRY-SPECIFIC HIGHLIGHTS

### Africa

#### Burundi

As part of its regional program, the OTA government debt team commenced engagement with the Bank of Burundi, following the Banque de la République du **Burundi** (Central Bank of **Burundi**) accession to membership in the East African Community (EAC). OTA assisted in preliminary data gathering, development, and launch of a five-year financial market development program, involving public and private sector participants. The project has developed terms of reference and deliberation guidelines for stakeholders in accordance with the EAC convergence criteria.

#### Ghana

For the last year, Ghana has not been able to issue longer term securities and so was reliant on the treasury bill market for its financing. Foreign investors make up the bulk of the investor base for Ghana's longer term (3 and 5 year maturities) bonds, but due to the erosion of the emerging markets during the global financial crisis and sharp decline of the Ghana Cedi, they have been absent from the market. A deterioration of the fiscal situation caused the government of Ghana (GOG) to seek IMF support, and Ghana has been precluded from non-concessional borrowing in the international markets. Recent improvement in the inflation rate and stability to slight improvement in the value of Ghana's currency have improved sentiment on the part of foreign investors, and the GOG plans to issue 3 year bonds in the very near future. Efforts to develop automated primary and secondary market platforms are moving forward.

In every financial management environment, the coding structure for accounting is the basis for recording, analyzing and reporting on budgeting and accounting transactions. Currently, the central government is using two different coding structures. Local governments are required to prepare information in both formats, creating duplication of effort in both coding transactions and creating reports. Additionally, because of the various stand-alone systems, codes in one system do not necessarily agree with the codes being using in another system. To further complicate financial reporting, the local governments are using a third coding structure for local financial reporting purposes, while also using one of the federal coding structures for costs related to central government funding. Over the past year, OTA, working with the Controller and Accountant Generals Department, developed a final draft of a harmonized chart of accounts and instructions. Additionally, OTA helped to ensure that coding was consistent in all stand-alone systems. Once implemented, this new coding structure will ensure consistency in reporting, enhanced understanding of the coding structure resulting in fewer errors, easier consolidation of government-wide financial information, and reduction in staff time related to coding transactions and preparing reports.

## Mozambique

Developing countries with newly-discovered petroleum resources have the hope and expectation of increased wealth, but often lack experience in working productively with outside partners. OTA helped tax administration staff in Mozambique to conduct the first-ever audit of a petroleum product importer. Essentially a “test run,” this audit of a compliant and cooperative multinational importer was useful in developing auditors’ skills and experience, and will prepare them to tackle more complicated audits of larger importers and “mega projects” such as the Mozal aluminum smelter.

## Kenya

To assure that debt funding objectives are met, the OTA debt project in Kenya advised the Kenya Central Bank on the development of a system of market makers to provide market liquidity, and encourage demand and favorable prices for government bonds. In addition, OTA advised the central bank on the development and implementation of a benchmark bond consolidation program, to reduce market fragmentation, and encourage the emergence of a yield curve to smooth pricing. OTA’s resident advisor was appointed as member of the legal and operations sub-committees, to directly provide advice and guidance to the Finance ministry.

## Lesotho

Effective systems and staff capacity must be deployed to realize revenue objectives. OTA is working with the Lesotho Revenue Authority to develop a complete package of procedural manuals and related training materials that instruct employees on how to conduct audits fairly and efficiently, and collect debts due to the state. The Revenue Authority is implementing a time-and-case-activity report for an auditor that allows managers to measure productivity and guide the work of the staff. According to a preliminary study, as little of 60% of the potential tax revenue in Lesotho is collected by the Government. OTA’s revenue and economic crimes team advisors are providing guidance on measures to identify unregistered taxpayers and broaden the tax base.

OTA has also worked with the Lesotho Revenue Authority for the past year to establish a separate department to identify, investigate, and prosecute tax fraud in an effort to increase voluntary compliance with the country's tax laws. OTA assisted in determining the organizational structure of this department, identifying and training staff, drafting operational, procedural and policy guidelines, and integrating the new department into the Revenue Authority as well as law enforcement and other relevant authorities in Lesotho. OTA also mentored a number of significant investigations to successful conclusion.

## Namibia

Over the past two years an OTA economic crimes team resident advisor has been co-located at the Bank of Namibia working with counterparts to complete establishment of

the country's anti money laundering and combating terrorist financing (AML/CFT) regime. This includes a financial intelligence unit (FIU) which became operational in July 2009, and is receiving and analyzing suspicious transaction reports filed by banks and other financial institutions. The FIU meets all international standards and is now applying for membership in the Egmont Group, the international organization of FIUs now consisting of over 100 country members.

### Niger

OTA terminated its revenue project in November 2009 following the US decision to cut off non-humanitarian aid to the government of President Mamadou Tandja. Before closing the project, an OTA advisor had brokered an information-sharing agreement among the tax authorities and customs, the Transport Ministry, and the Ministry of Energy and Mining. This agreement enables the verification of tax returns with data such as luxury car registrations and ore production figures.

### Rwanda

OTA's government debt regional advisor to the East African Community assisted counterparts in the development and implementation of enhancements to the debt issuance program in Rwanda. This included adapting a methodology for evaluating bids in the absence of other pricing guidelines.

### Senegal

In September 2009, OTA began a new resident debt project in Senegal's Ministry of Finance. Initial work has focused on improved cash forecasting and the implementation of a debt calendar in order for the Government of Senegal to issue debt securities in the domestic market predictably and regularly. Marginally successful auction results in November highlighted the need for better auction planning and execution, as well as improved communication with the market.

### Tanzania

OTA has been instrumental in helping the Bank of Tanzania advance key strategic plans for upgrading its information technology platform. The system will improve internal risk controls, provide the Government with "real time" cash balances, and meet East African Community criteria for the harmonization of payments across the five countries in the region. This "leveraging technology" initiative was developed as a specific response to the continuing global financial crisis. A robust IT platform will enable the Government to manage its cash balances and budget implementation more efficiently at a time when fiscal resources are stretched. The Tanzanian efforts are modeled on Ghana's recent successful implementation of a fully automated central bank IT platform and Treasury single account for cash management.

## **Asia and Near East**

### Algeria

OTA activities at Banque d'Algerie, the Algerian central bank, are being carried out in connection with OTA's highly successful resident banking project in Algiers. The resident banking advisor recommended the development and implementation of a bank rating system for off-site and on-site inspections to the Banque d'Algerie. Employing these inspections in their assessment and evaluation of prudential risks of banks and financial institutions within the Algerian banking sector will greatly increase the integrity and stability of the system. Additionally, under OTA direction a Code of Ethics has been established for the inspection staff, as well as a broader-scoped one for the bank as a whole. OTA also deployed a banking advisor to provide assistance in the development of a certification program for inspectors of the Bank Supervision Department

With OTA assistance, the Algerian Direction Générale des Impôts (DGI) is well on its way to launching a multi-million Euro initiative that will IT-enable a modern tax administration. OTA assisted in establishing a unit in charge of the modernization program; developing and issuing a tender for development and implementation of an integrated tax IT system; negotiating terms with the successful contractor; and creating an informatics modernization implementation plan. Though the DGI initially had little capacity to initiate and manage such a major reform package, continued assistance will assure the DGI's ability to manage this large and complex IT contract.

Following an OTA information management and technology assessment, and a report with specific recommendations on process management and equipment acquisitions, Algeria's financial intelligence unit hired a full complement of analysts and established permanent office space. Shortly thereafter, OTA delivered a financial analysis training course to all FIU staff and board members.

### Cambodia

In the fall of 2009, OTA launched a revenue project with Cambodia's General Department of Taxation (GDT). The project includes audit of financial, construction and telecommunications industries; taxpayer education and taxpayer services; and taxation of the oil and gas sectors. The GDT established a special task force for taxpayer service and education. OTA will help to develop strategic and operational plans for this function and conduct a four-day strategic planning training for members of the task force.

### Egypt

OTA's work with the Egypt Insurance Regulatory Authority concluded with a mock AML/CFT inspection of a major insurance company in Egypt. The inspection was conducted with the cooperation of the insurance company, resulting in the complete inspection cycle for the company and a final report. This proved to be a beneficial approach to mentoring Egypt's insurance regulators and the inspected company's staff.

This successful approach will be extended to the OTA project in Jordan, where both the insurance and securities regulators have embraced the concept.

### Indonesia

In 2009, OTA's government debt advisor worked closely with the Director General for Debt Management on the design and launch of a global Treasury note program. In 2009, there was a total issuance of US \$3 billion, using 5 and 10-year tenors. The offerings allowed the government to boost its foreign reserves without reliance on concessionary financing tools or donor support during a critical period. The project helped revise and streamline the T-bill issuance process, resulting in the formation of an effective bill curve with benchmarks; worked with the Ministry to identify risk exposure arising from state-owned enterprise subsidies, loans and guarantees; and helped design a more robust and comprehensive risk management program, including risk modeling, sustainability analysis, and IT requirements. OTA also worked on the introduction of new instruments, including the first domestic (IDR) and global (US\$) Sukuk securities, as well as the first Sharia-compliant government security targeting retail investors; standardization of the issuance and distribution mechanism using the multiple price auction structure for all classes of securities; and selection of appropriate equipment that matches the technical and regulatory requirements for a fully functional trading desk.

The OTA revenue team worked closely with Indonesia's Director General of Taxation (DGT) to develop an internal document management system. This included donating software and training DGT staff in its use. The new system will be used throughout the DGT to better document and standardize procedures. A special sub-directorate for internal document management has been established to supervise and guide the rollout of the new system to other functions. The DGT has also expanded its e-filing programs and expects that companies will file all value-added taxes on line by late 2010. A pilot document processing center was opened in January 2008, and efforts remain on schedule to establish additional centers in two other cities.

### Mekong Regional

The OTA economic crimes team operated successfully in the Mekong target countries of Vietnam, Cambodia and Laos. In 2009, OTA provided information technology and financial intelligence unit mentoring to Laos and Cambodia. OTA conducted a legal review of the Lao decree guidelines and penal law for its anti-money laundering intelligence unit. Bulk cash smuggling training was delivered to Laotian border authorities as part of an Association of Southeast Asian Nations initiative. In Cambodia, OTA provided financial investigative techniques training to law enforcement personnel and judges.

### Palestinian Monetary Authority

OTA provided financial investigative techniques training for investigators and prosecutors in Ramallah. This training built on the financial analyst training presented

earlier in the month to analysts at the nascent financial intelligence unit, as well as to law enforcement and regulatory personnel involved in combating financial crimes.

## **Latin America and Caribbean**

### Colombia

OTA provided assistance to the Colombian National Directorate of Tax and Customs (DIAN) in the areas of internal control, international audit, and disciplinary investigations. OTA training focused on internal audit techniques and expanding audit scope in accordance with internationally accepted internal audit standards. OTA led a strategic planning session with the Office of Disciplinary Investigations, and a new code of ethics was presented to all employees.

Training was also delivered on transfer pricing, including a well-publicized presentation sponsored by the tax and customs directorate to 125 accountants at their training facility. The purpose was to inform tax practitioners of the training that the directorate's employees were receiving in the technical tax law area of transfer pricing.

### Costa Rica

With its economy closely tied to the United States, Costa Rica faced a surging budget deficit during the global financial crisis because of significant drops in revenue. The Government made a policy choice to maintain spending for critical social programs and to strengthen other anti-poverty initiatives. These policies required raising an unprecedented amount of money in the domestic bond market. OTA helped the government successfully secure the required funds by adjusting debt issuance strategies and by offering investors a broader choice of instruments and maturities. During the first half of 2009, a surge in expenditures, combined with a decline in revenues, produced a \$347 million central government deficit. While this figure amounts to just over one percent of projected 2009 GDP, it represents a significant departure from the \$246 million dollar surplus recorded in the first half of 2008. OTA's government debt advisor in the country has been working with the Ministry of Finance to help ensure that the domestic market will be able to continue to fund the growing budget deficits.

### Haiti

OTA's economic crimes team has been building capacity to investigate and prosecute money laundering, financial crime and corruption, and to seize and forfeit illicit assets. Haitian President René Préval strongly supports these efforts which have resulted in establishing a Haitian Financial Intelligence Unit (FIU), an investigative unit (Bureau des Affaires Financieres et Economique - BAFE), and an asset forfeiture fund to manage seized assets. Haitian banks are now filing currency transaction and suspicious activity reports, and BAFE has two dedicated investigating magistrates, two prosecutors and 20 trained financial investigators. In its first successful seizure, over US \$20 million worth

of assets located in Haiti were seized from Haitian drug traffickers. Kidnapping and corruption, along with the financial crimes these engender, are also being investigated by the BAFE. As part of ongoing information technology support provided by OTA, the FIU is being connected to a state-of-the-art electronic system that receives reports from banks, non-banking financial institutions, and other obligated entities, and ties into available data bases in Haiti.

OTA revenue advisors led an advanced training program on auditing banks and insurance companies for the Direction Générale des Impôts (DGI's) Large Taxpayer Office, in support of an initiative to improve audit procedures and technique. Tax accounting rules pertaining to banks and insurance companies are highly idiosyncratic and require specialized skills – which up to that time did not exist in the DGI. As a result of the training, DGI auditors have since completed desk audits of all Haitian insurance companies and issued notices with significant proposed tax adjustments. The DGI is now scheduling on-site audits. In May 2009, auditors started on-site tax audits of all Haitian banks, marking the first time that the DGI has ever audited these institutions.

### Honduras

OTA assistance to the Government of Honduras was on hold after the coup d'etat in June 2009. In coordination with the US Embassy, an OTA advisor in Tegucigalpa held informal discussions with the economic transition team for President-elect Lobo.

### Jamaica

At the request of the Jamaica Tax Administration, OTA completed an assessment of its reform needs and delivered urgent technical assistance to begin developing a large taxpayer office. Efforts thus far have focused on the creation of a pilot regional office. Corporate audit training was completed, with Tax Administration staff receiving specialized industry audit technique guides in key areas such as commercial banking, construction and hotels.

### Mexico

In 2009, OTA's economic crimes team conducted a number of activities with the Government of Mexico to develop and strengthen the country's ability to combat economic crimes, principally money laundering of the proceeds from multibillion dollar sales of illegal drugs.

- OTA presented three courses in financial investigative techniques to elements of the Mexican federal police, the financial intelligence unit, the Mexican Treasury Department, and the Attorney General's office. One of these courses included an imbedded moot court component presented by former and current US federal prosecutors and a US federal judge.
- OTA presented a new, advanced money laundering analysis course to prosecutors of Mexico's high level organized crime unit, and senior analysts of Mexico's FIU.

This course was collaboratively developed with personnel from Mexico's FIU as well as OTA economic crimes advisors.

- OTA conducted a number of assessment visits to Mexico and the following courses: Financial Investigative Techniques; Advanced Anti- Money Laundering Analysis; Financial Investigative Techniques II; Forensic Accounting; and Securing Evidence at a Crime Scene; Anti-Corruption Training in the Public & Private Sectors; Supervision and Regulation of Money Service Businesses (MSB's); Basic and Advanced Analysis for Financial Intelligence Units; and, Financial Undercover Investigations.

Finally, significant progress has been made in the development of a comprehensive economic crimes curriculum.

### Nicaragua

In June 2009, OTA concluded five years of technical cooperation with Nicaragua's tax administration. In its last year, the project focused on advanced audit techniques. A new audit manual and redesigned forms were published and distributed for use at tax offices nationwide. During the final site visit, OTA's project manager attended the opening of the Government of Nicaragua's Tax Training School.

### Paraguay

OTA's banking and financial sector program at the Banco Central del Paraguay, Paraguay's central bank, came to a completion at the end of 2009. The project was highly successful overall, as a number of major initiatives were launched over the project's life: (1) the creation of a working group on the issue of financial sector stability, an initiative that eventually led to the establishment of a Financial Stability unit within the Superintendency of Banks; (2) the introduction within the superintendency of a new early warning system; and (3) the review of the regulatory framework for microfinance in Paraguay. In 2009, the central bank produced the first-ever Financial Stability Report for Paraguay. As background to this landmark, in late 2006 the resident OTA advisor had established a Working Group on Financial Sector Stability, just months before the onset of the global financial crisis. Subsequently, this Working Group was formalized in the form of a Committee report to the central bank's board. Eventually, a Financial Stability Intendancy was established, which is now responsible for coordinating production of the report and monitoring overall financial sector stability.

OTA's budget work in Paraguay focused on strengthening budget analysis, supporting the implementation of modern treasury practices such as a treasury single account and contributing to the Finance Ministry's modernization of its integrated financial management information system. Key accomplishments included:

- Designing and implementing a new system to analyze the budget and policy;
- Analyzing impacts of proposed budget supplementals;
- Training budget staff in budget analysis and facilitating reviews of selected

- government programs to use those analytic techniques;
- Preparing recommended modifications to the tools used to analyze and present the annual and multi-year budgets;
- Publishing biannual budget bulletins for citizens and policy makers;
- Leading a study tour to Costa Rica to investigate that country's successful Treasury reforms; and
- Facilitating the identification, with consensus support from senior management of priority improvements to the management information system.

These accomplishments have laid a solid foundation for improved budget analysis that will strengthen the budget as a strategic planning tool, as well as implementation of a treasury single account by a working group that was convened by OTA and strengthening of the management information system.

## **Eurasian Group**

### Albania

In 2009, OTA assisted the Ministry of Finance in negotiating and closing a syndicated loan that provided critical financing during a period of extreme market illiquidity. The team also provided advice and support in developing cash flow projections and budget strategies that enabled the Ministry to take action to avoid cash shortages throughout the year. The Government has also opened its domestic government securities market to international participants, which has attracted foreign investors to the domestic local currency debt market. Within the Ministry, a reorganization of the debt department has resulted in the creation of a debt directorate that will permit the hiring of a more professional staff and elevate the importance of debt and capital market activities. The Ministry has also begun quarterly reporting of statistical information related to debt issuance, interest payments and risk parameters.

### Azerbaijan

In September 2009, OTA's revenue team finished its seven-year project in Azerbaijan by providing assistance in anti-corruption and audit. In the anti-corruption sphere, a code of ethics was written in a cooperative effort between OTA and a working group from the Ministry of Taxes. Trainers were trained, and a plan to train the entire organization was designed and implemented. Next, OTA worked with the Deputy Minister to establish an effective internal security function.

In the audit area, the goal was to create a set of standardized forms and checklists that would both guide the employees through audits and record what they did. The project had significant traction and impact. The audit function improved from a level of effectiveness most often identified with third world countries to a professional level equal to that found in the United States and Europe.

## Bosnia

The Central Bank of Bosnia Herzegovina operates as a currency board and this has been the key element of Bosnia's financial stability. During the global financial crisis the Central Bank Governor came under great pressure to introduce a lender of last resort facility. Under a currency board, a lender of last resort facility would need to be very limited and even this limited facility would run risks for the Board. The OTA banking advisor recommended against the establishment of a lender of last resort facility, giving the Governor arguments that he needed to withstand the pressure to introduce such a scheme in Bosnia. In this instance, OTA's engagement, while brief and focused on one issue, was enormously consequential.

## Georgia

OTA's activities in 2009 occurred against the backdrop of domestic Georgian political events related both to the war and the global financial crisis. With the assistance of the OTA government debt team, Georgia was able to restart a domestic debt issuance program. OTA assisted the national bank in formulating two major new monetary policy instruments - currency auctions for injecting foreign currency (US\$) into the economy and currency swaps for injecting local currency into the economy. OTA assisted in preparing tender specs for two new systems at the national bank – a national payments system and a reserves management system.

## Kazakhstan

OTA's banking worked with the Central Bank of Kazakhstan, the Financial Supervisory Agency, and the Kazakhstan Deposit Insurance Fund to help them assume responsibility for bank resolutions through the development of policies and procedures for addressing weak and failing financial institutions. Kazakhstan was particularly hard hit by the global financial crisis, despite having enjoyed a decade of relatively strong growth in the financial sector. This mission was part of OTA's financial crisis response program for countries in Emerging Europe.

**STRATEGIC PLAN 2006-2010**  
**U.S. DEPARTMENT OF THE TREASURY**  
**OFFICE OF TECHNICAL ASSISTANCE**

***Mission.*** The mission of the Treasury Department’s technical assistance program, managed by the Office of Technical Assistance (OTA), is to support the development of strong financial sectors and sound public financial management in countries where assistance is needed and there is a strong commitment to reform.

OTA pursues this mission in support of the Treasury Department’s overall mission “to promote the conditions for prosperity and stability in the United States and encourage prosperity and stability in the rest of the world” as well as broader U.S. Government international objectives, such as increasing transparency and accountability, reducing corruption, and strengthening the development of market-based policies and practices.

***Vision.*** OTA aims to build upon its reputation as a high-quality provider of comprehensive financial sector technical assistance and policy advice. It intends to be recognized as the provider of choice wherever its multi-disciplinary assistance model best addresses country needs and Treasury or U.S. Government objectives.

The foundation of OTA’s program will continue to reside in five core disciplines – Banking and Financial Services; Budget Policy and Management; Financial Enforcement; Government Debt Issuance and Management; and Tax Policy and Administration, complemented by the ability to support other aspects of financial sector strengthening.

***Values***

- OTA will continue to place the highest priority on capacity building and developing country self-sufficiency.
- OTA exits countries when project objectives are accomplished or if country commitment to reform is not sustained.
- OTA program engagements are distinguished by flexibility, selectivity and responsiveness.
- OTA recognizes that its core strength lies in the dedication, adaptability and expertise of its advisors.

***Programmatic Goals***

- Encourage depth of engagement and an integrated, multi-discipline approach. Where circumstances warrant, deeper, stronger, more comprehensive engagements may improve the prospects for material impact.
- Encourage an approach that targets geographic regions and common financial or economic problems. Look for opportunities to place advisors in countries with common needs by virtue of location, financial structure (e.g. significant

- dependence upon donor revenue), or dislocations (e.g. highly affected by extractive industry income).
- Provide specialized multi-discipline programs and rapid response teams to support key Treasury and U.S. Government priorities. React quickly to: needs in post-conflict/post crisis/failed state countries; opportunities to combat terrorist funding and corruption; requirements for access to financial services; country requirements to address revenue deficiency; and development of financial management information systems.
  - Recruit, retain and support a cadre of advisors that manifests OTA's tradition of excellence.
  - Continue to strengthen OTA coordination within Treasury and with other parts of the U.S. Government.
  - Enhance awareness of Treasury's technical assistance program.
  - Ensure that OTA's management systems fully support the achievement of our mission. For example, appropriate access to current financial data, timely human resources processes, program evaluation and management, and ability to be responsive to standard and ad hoc reporting requirements are essential to supporting OTA's mission and advisor corps.

### ***Geographic Goals***

The following points note broad geographic/regional goals. More detailed regional and country-specific objectives will be set out in annual implementation plans.

- *Sub-Saharan Africa (SSA)*. Recognize the acute need for assistance in this region, and seek opportunities to initiate or strengthen engagements with reform-minded countries.
- *Broader Middle East/North Africa (BMENA)*. Seek opportunities to strengthen or initiate engagements in BMENA countries, with special attention to countries that are key to U.S. foreign policy priorities.
- *Latin America and Caribbean*. Given the importance of encouraging stability, growth, and friendly relations within this hemisphere, identify opportunities to support reform-minded countries and sub-regions.
- *Asia*. Identify opportunities to engage in those countries where Treasury and the U.S. Government have substantial interests.
- *Former Soviet Union/Central and Eastern Europe (FSU/CEE)*. Manage the phase-out and shift of OTA activities from the FSU and CEE to regions where needs are greater. As this process continues, support selected sub-regions and countries in the FSU/CEE area where significant needs still exist.

Table A

**FISCAL YEAR 2009 BUDGET EXECUTION PLAN**  
Treasury International Affairs Technical Assistance (TIATA)

**Project Allocation from Fiscal Year 2009 TIATA Budget**

	<u>Team</u>	<u>Advisor Category</u>	<u>Co-Financing</u>		<u>TIATA</u>	<u>Total</u>
<b><u>LATIN AMERICA AND CARIBBEAN</u></b>						
Regional LAC Advisor: US-based	ENF	Full-time TDY	\$	-	\$ 325,731	\$ 325,731
Regional LAC Advisor: Paraguay	FIT	Resident	\$	-	\$ 437,113	\$ 437,113
CAM Regional Training	ENF	Intermittent	\$	-	\$ 341,591	\$ 341,591
Audit Phase II Implementation	TAX	Intermittent	\$	-	\$ 62,058	\$ 62,058
Argentina	ENF	Intermittent	\$	-	\$ 24,519	\$ 24,519
Chile	ENF	Intermittent	\$	-	\$ 46,459	\$ 46,459
Colombia	TAX	Intermittent	\$	-	\$ 377,353	\$ 377,353
Costa Rica	BUD	Intermittent	\$	-	\$ 22,329	\$ 22,329
Costa Rica	GDIM	Resident	\$	-	\$ 442,307	\$ 442,307
Costa Rica	TAX	Project Coordinator + Intermittents	\$	-	\$ 45,100	\$ 45,100
Dominican Republic	GDIM	Resident	\$	-	\$ 538,685	\$ 538,685
Guatemala	BUD	Resident	\$	-	\$ 475,000	\$ 475,000
Guatemala	FIT	Resident	\$	-	\$ 483,786	\$ 483,786
Guatemala	GDIM	Resident	\$	-	\$ 500,000	\$ 500,000
Guatemala	TAX	Project Coordinator/Intermittents	\$	-	\$ 252,942	\$ 252,942
Haiti	TAX	Project Coordinator + Intermittents	\$	250,000	\$ 182,610	\$ 432,610
Honduras	BUD	Resident	\$	-	\$ 405,882	\$ 405,882
Honduras	GDIM	Resident	\$	-	\$ 528,343	\$ 528,343
Honduras	TAX	Project Coord + Intermittents	\$	-	\$ 330,824	\$ 330,824
Mexico	ENF	Intermittent	\$	-	\$ 235,294	\$ 235,294
Nicaragua	GDIM	Resident	\$	-	\$ 118,529	\$ 118,529
Nicaragua	TAX	Project Coord + Intermittents	\$	-	\$ 108,471	\$ 108,471
Paraguay	BUD	Resident	\$	-	\$ 326,730	\$ 326,730
Paraguay	ENF	Intermittent	\$	-	\$ 55,118	\$ 55,118
Paraguay (PAPAP Continuation)	ENF	Resident	\$	-	\$ 254,042	\$ 254,042
Paraguay	FIT	Resident	\$	-	\$ 153,887	\$ 153,887
Paraguay	GDIM	Resident	\$	-	\$ 456,842	\$ 456,842

	<u>Team</u>	<u>Advisor Category</u>	<u>Co-Financing</u>		<u>TIATA</u>	<u>Total</u>
<b><u>LATIN AMERICA AND CARIBBEAN</u></b>						
Peru	TAX	Intermittent	\$	-	\$ 164,412	\$ 164,412
Uruguay	FIT	Intermittent	\$	-	\$ 113,489	\$ 113,489
Uruguay	ENF	Intermittent	\$	-	\$ 153,898	\$ 153,898
Infrastructure Finance Team	GDIM	Intermittent	\$	-	\$ 340,485	\$ 340,485
Gaming	ENF	Intermittent	\$	-	\$ 180,615	\$ 180,615
<b>Subtotal Latin America and Caribbean</b>			<b>\$ 250,000</b>	<b>\$</b>	<b>8,484,443</b>	<b>\$ 8,734,443</b>

	<u>Team</u>	<u>Advisor Category</u>	<u>Co-Financing</u>		<u>TIATA</u>	<u>Total</u>
<b><u>ASIA</u></b>						
RegANE (Mekong Regional)	ENF	Resident	\$	-	\$ 700,537	\$ 700,537
Cambodia	BUD	Resident	\$	-	\$ 499,730	\$ 499,730
Cambodia	FIT	Resident	\$	-	\$ 554,435	\$ 554,435
Cambodia	TAX	Intermittent	\$	-	\$ 265,000	\$ 265,000
Indonesia	TAX	Project Coordinator + Intermittents	\$	-	\$ 500,000	\$ 500,000
Indonesia	GDIM	Resident	\$ 261,514	\$	282,175	\$ 543,689
Philippines	ENF	Resident	\$	-	\$ 24,251	\$ 24,251
Vietnam	TAX	Project Coordinator + Intermittents	\$	-	\$ 450,000	\$ 450,000
Vietnam	GDIM	Intermittent	\$	-	\$ 242,791	\$ 242,791
Vietnam	FIT	Combination (Res + Int)	\$	-	\$ 685,000	\$ 685,000
<b>Subtotal Asia</b>			<b>\$ 261,514</b>	<b>\$</b>	<b>4,203,919</b>	<b>\$ 4,465,433</b>

	<u>Team</u>	<u>Advisor Category</u>	<u>Co-Financing</u>		<u>TIATA</u>	<u>Total</u>
<b><u>GREATER MIDDLE EAST</u></b>						
Regional Middle East Advisor: Jordan	ENF	Resident	\$	-	\$ 658,850	\$ 658,850
Regional Greater Middle East Advisor: UAE	GDIM	Regional	\$	-	\$ 400,225	\$ 400,225
Regional Africa/Middle East Advisor: Egypt	ENF	Regional	\$	-	\$ 652,867	\$ 652,867
Afghanistan	ENF	Resident	\$	-	\$ 556,348	\$ 556,348
Algeria	FIT	Resident	\$	-	\$ 715,000	\$ 715,000
Algeria	ENF	Intermittent	\$	-	\$ 200,000	\$ 200,000
Algeria	TAX	Project Coordinator + Intermittents	\$	-	\$ 496,525	\$ 496,525
Egypt	ENF	Intermittent	\$	-	\$ 213,000	\$ 213,000
Pakistan	FIT	Intermittent	\$	-	\$ 105,000	\$ 105,000
Pakistan	ENF	Intermittent	\$	-	\$ 250,000	\$ 250,000
Palestinian Monetary Authority	ENF	Intermittent	\$	-	\$ 175,694	\$ 175,694
<b>Subtotal Greater Middle East</b>			<b>\$</b>	<b>-</b>	<b>\$ 4,423,509</b>	<b>\$ 4,423,509</b>

	<u>Team</u>	<u>Advisor Category</u>	<u>Co-Financing</u>		<u>TIATA</u>	<u>Total</u>
<b><u>SUB-SAHARAN AFRICA</u></b>						
African Development Bank	ENF	Resident	\$	-	\$ 200,000	\$ 200,000
East Africa Regional (Kenya)	GDIM	Resident	\$	-	\$ 719,326	\$ 719,326
East and Southern Africa Regional	FIT	Resident	\$	-	\$ 514,126	\$ 514,126
West Africa Regional	ENF	Intermittent	\$	-	\$ 53,000	\$ 53,000
Ghana	BUD	Resident	\$	-	\$ 574,129	\$ 574,129
Ghana	GDIM	Resident	\$	460,280	\$ 261,859	\$ 722,139
Lesotho	ENF	Intermittent	\$	-	\$ 304,137	\$ 304,137
Lesotho	TAX	Intermittent	\$	-	\$ 19,200	\$ 19,200
Liberia	TAX	Intermittent	\$	-	\$ 296,000	\$ 296,000
Mozambique	TAX	Project Coordinator + Intermittents	\$	-	\$ 470,088	\$ 470,088
Namibia	ENF	Resident	\$	-	\$ 570,631	\$ 570,631
Niger	TAX	Project Coordinator + Intermittents	\$	-	\$ 264,480	\$ 264,480
Rwanda-Burundi	GDIM	Intermittent	\$	-	\$ 220,000	\$ 220,000
Senegal	GDIM	Resident	\$	-	\$ 660,815	\$ 660,815
Tanzania	GDIM	Resident	\$	-	\$ 721,732	\$ 721,732
Zambia	BUD	Resident	\$	-	\$ 961,865	\$ 961,865
Zambia	FIT	Resident	\$	-	\$ 220,000	\$ 220,000
<b>Subtotal Sub-Saharan Africa</b>			<b>\$ 460,280</b>	<b>\$ -</b>	<b>\$ 7,031,388</b>	<b>\$ 7,491,668</b>

	<u>Team</u>	<u>Advisor Category</u>	<u>Co-Financing</u>		<u>TIATA</u>	<u>Total</u>
<b><u>SENIOR AND REGIONAL ADVISORS</u></b>						
Regional Global Advisor: US	FIT	Full-time TDY	\$	-	\$ 192,000	\$ 192,000
Regional Global Advisor: Africa	BUD	Resident	\$	-	\$ 541,176	\$ 541,176
Regional Global Advisor: US	BUD	Full-time TDY	\$	-	\$ 82,353	\$ 82,353
Regional EurAsia Advisor: Poland	ENF	Resident	\$	-	\$ 400,000	\$ 400,000
Regional Global Advisors: US	TAX	Full-time TDY (2)	\$	-	\$ 501,177	\$ 501,177
Senior Advisor: US	GDIM	Full-time TDY	\$	-	\$ 347,000	\$ 347,000
<b>Subtotal Senior and Regional Advisors</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,063,706</b>	<b>\$ 2,063,706</b>

	<u>Team</u>	<u>Advisor Category</u>	<u>Co-Financing</u>	<u>TIATA</u>	<u>Total</u>
<b><u>OTHER FUNDED ACTIVITIES</u></b>					
Prepping for PEPFAR	BUD	Intermittent	\$ -	\$ 68,176	\$ 68,176
Global FIU Analysis & Architecture	ENF	Intermittent	\$ -	\$ 310,388	\$ 310,388
Financial Crisis -- Rapid Response	FIT	Intermittent	\$ -	\$ 1,000,000	\$ 1,000,000
Global Cash Forecasting	GDIM	Intermittent	\$ -	\$ 44,853	\$ 44,853
<b>Subtotal Other Funded Activities</b>			\$ -	\$ 1,423,417	\$ 1,423,417
<b>GRAND TOTAL</b>			\$ 971,794	\$ 27,630,382	\$ 28,602,176

Table B

**2009 Non-TIATA Sources of Funding**

Treasury International Affairs Technical Assistance (TIATA)

<u>Purpose</u>	<u>Source</u>	<u>Transfer Category</u>	<u>Amount</u>
TA to countries of Eastern Europe (SEED Act-funded)	USAID	632(a)	\$2,576,000
TA to countries of the Newly Independent States (FSA-funded)	USAID	632(a)	\$2,865,000
TA to Gov't of Afghanistan	USAID	632 (b)	\$800,000
TA to Gov't of Afghanistan	STATE	632(a)	\$4,500,000
Tax TA to Gov't of Haiti	USAID	632(a)	\$250,000
Economic Crimes TA to Gov't of Haiti	STATE/INL	632(b)	\$400,000
Government Debt TA to Gov't of Ghana	USAID	632(b)	\$460,280
TA to Gov't of Honduras	USAID	632 (a)	\$250,000
TA to Gov't of Guatemala	USAID	632 (a)	\$100,000
TA to Gov't of Paraguay under MCC Threshold Country Plan	USAID	632(b)	\$196,981
Economic Crimes TA to Gov't of Georgia	STATE	632(b)	\$248,989
Economic Crimes TA in Middle East/North Africa	STATE	632(b)	\$300,000
Economic Crimes TA to Gov't of El Salvador	STATE/INL	632(b)	\$ 9,688
Economic Crimes TA to Gov't of Armenia	STATE/INL	632(b)	\$126,546
Economic Crimes TA to Gov't of Argentina	Gov of Argentina	n/a	\$33,845
Budget, Banking TA to Gov't of Iraq	STATE	632 (b)	\$7,750,000
Debt TA to Gov't of Indonesia	USAID	632 (a)	\$261,514
OTA Liaison to AFRICOM (Stuttgart)	DOD	MIPR	\$306,428
OTA Liaison to CENTCOM	DOD	MIPR	\$227,693
Economic Crimes TA to Gov't of Kazakhstan	STATE/INL	632(b)	\$35,060
Tax TA to Gov't of Honduras	Gov of Honduras	n/a	\$276,747
Tax and Economic Crimes TA to Gov't of Lesotho	Gov't of Lesotho	n/a	\$ 526,267
<b>TOTAL</b>			<b>\$22,501,038</b>