

**DEPARTMENT OF THE TREASURY
INTERNATIONAL AFFAIRS TECHNICAL ASSISTANCE
2011 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 (TIATA) program by Treasury's Office of Technical Assistance (OTA).

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“Treasury’s Office of Technical Assistance (OTA) prides itself on demand-driven assistance that’s based on partnership. In Chad, OTA ... worked with civil society and other members of the Petroleum Revenue Oversight and Control Committee. The work of the advisor included developing a manual on reviewing public expenditures to be funded by oil revenues. No other donor provided this targeted, timely, and technical support. In Liberia, OTA helped the Ministry of Finance and Central Bank establish an electronic link that eliminated reliance on easily forged paper receipts and provided for electronic cross-checks between accounts. This reduced the potential for fraud and offered taxpayers a one-stop tax preparation and payment option.”

- *The politics of partnership: How donors manage risk while letting recipients lead their own development*, Oxfam America (December 2011)

I. Introduction

Supporting Sound Public Financial Management in Developing Countries

OTA assists developing countries in the pursuit of efficient revenue collection, well-planned and executed budgets, judicious debt management, sound banking systems, and strong controls to combat corruption and other economic crimes. Its advisors work side-by-side with colleagues in central banks and finance ministries to train staff, implement sound and efficient standard procedures, and collect and analyze management information to improve public financial management.

Among assistance providers, OTA is frequently praised for its expertise and for providing assistance in a spirit of partnership and long-term effectiveness. The recent report by Oxfam (excerpted above) cited OTA as particularly effective in fostering institutional development in its partner countries. This recognition by Oxfam builds on similar findings in a 2011 report commissioned by the Department of State and USAID, which identified OTA as one of two U.S. Government agencies whose policies are specifically aligned with the principles of the Paris Declaration on Aid Effectiveness—managing for results, mutual accountability, and country ownership.

To maintain the program’s focus on results and accountability, every year OTA utilizes a pair of data gathering instruments to help us assess the effectiveness of OTA engagements: a “customer” survey of institutions receiving Treasury technical assistance, and a formal self-assessment of each project’s progress by OTA advisors and management. Taken together, these instruments confirmed that program progress was on track and that performance goals were met or exceeded in 2011. Furthermore, OTA continues to be an active participant in U.S. and international efforts to improve the effectiveness and transparency of foreign assistance. For example, OTA is working with the Department of State and USAID to contribute budget and program data to the newly-

created Foreign Assistance Dashboard, which was established in response to the Paris Declaration and the President's Open Government Initiative.

In 2011, a number of OTA's partner governments achieved significant accomplishments. For example, Bosnia and Kosovo issued government securities through a competitive, market-based format for the first time, the culmination of several years of OTA engagement. In Bosnia, the funds raised by the securities issuance will be used to pay off obligations to citizens relating to frozen currency accounts from the Yugoslav era, resulting in no net increase in the debt burden of the country. OTA had worked closely with both of these countries to craft laws and regulations, to develop the skills of personnel to analyze governmental cash needs, and to create a predictable and orderly issuance calendar.

In Liberia, OTA provided expertise to the Department of Revenue, which is engaging in a major effort to crack down on corruption and improve its public image. The Department developed a code of conduct and provided training on anti-corruption issues for all employees. On the enforcement side, the Department established an internal investigation unit that, in a little more than a year, developed procedures, closed 32 cases, and recovered \$76,000 in revenue.

Another significant area of operation for OTA is the creation and strengthening of financial intelligence and investigation units aimed at preventing and prosecuting money laundering and terrorist financing. Action by these OTA-trained units in Guatemala resulted in \$6 million in criminally acquired assets being seized by the government. In Haiti, forfeitures of criminally-acquired assets reached \$38 million over the past four years of operation. Many such cases require international cooperation and information exchange, a necessity given the transnational nature of these types of financial crime. International cooperation from the Haitian financial intelligence and financial crimes investigation units resulted in a Florida federal court handing down a 15-year sentence for bribery against a corporate president, the longest sentence ever imposed in a case involving the U.S. Foreign Corrupt Practices Act. A discussion of these and other achievements is included in sections VI and VII of this report.

OTA continued to support U.S. Government priorities in creating stable and transparent public financial management in Afghanistan. As described in section VII, security conditions at times limited OTA's ability to deliver technical assistance, which requires advisors to operate in close contact with host government officials. Despite this challenge, progress was made. For example, the Afghan Government was able to make significant strides in its ability to conduct ministry-level audits of revenue processes and in creating the framework for central-provincial cooperation in the development of a national budget. In East Africa, OTA supports the U.S. foreign policy goal of fostering regional financial integration by providing high-level policy advice on three main issues: developing a cross-border, low cost payment system that complies with both best practices and regulatory requirements; harmonizing deposit insurance schemes; and bringing banking services to a wider audience through mobile payments technology.

Finally, one of OTA's global initiatives—cash management—is highlighted in section VIII of this report. The cash management project enables governments to harness modern banking technology to monitor their financial needs, and swiftly and efficiently concentrate and allocate funds to meet their financial and budgetary obligations.

II. Mission and Background

Effective financial management is a core element of a functioning state. It fosters economic growth and enables a government to provide better services for its citizens. For 20 years, OTA has helped finance ministries and central banks of developing countries to strengthen their capacity to manage public finances.

OTA operates through five major disciplines:

- **Revenue Administration and Policy:** Creates more effective tax administrations that simplify procedures to encourage voluntary compliance on the part of taxpayers, effectively uncover tax evasion, and maintain high standards of fairness and transparency.
- **Budget and Financial Accountability:** Strengthens the effectiveness of ministries of finance, the readability and transparency of budget documents, and the management and expenditure of government resources.
- **Government Debt Issuance and Management:** Provides strategic and technical assistance to develop market-based means of public finance through the issuance of domestic government securities; increases the efficiency of government debt management; and implements comprehensive debt strategies that diversify sources of finance, reduce liability risk and lower debt service burdens.
- **Banking and Financial Services:** Supports the development of strong financial sectors in which institutions are well-regulated, stable and accessible, serve as efficient intermediaries between savers and investors, and are resistant to criminal activity.
- **Economic Crimes:** Assists the development and implementation of anti-money laundering and counter terrorist financing regimes that are compliant with international standards.

In providing technical assistance, OTA follows a number of guiding principles:

- **OTA supports self-reliance.** OTA provides countries with the knowledge and skills required to move towards financial self-sufficiency—including the capability to generate and better manage their own government finances—and reduce dependence on international aid. OTA generally follows a three- to five-year project cycle that is aimed at creating maximum impact and exiting when local capacity has been created.
- **OTA is selective.** OTA works with governments that are committed to reform—reform that they design and own—and to using U.S. assistance effectively. Among U.S. agencies involved in foreign aid, OTA was singled out for praise in a report commissioned by the Department of State and USAID for supporting country ownership; achieving alignment with host country priorities; managing for development results; and fostering mutual accountability with host country officials. OTA does not engage with a country without a signed bilateral Terms of Reference

on the high-level terms and aims of the engagement, followed by a tactical-level work plan specifying activities in support of those aims.

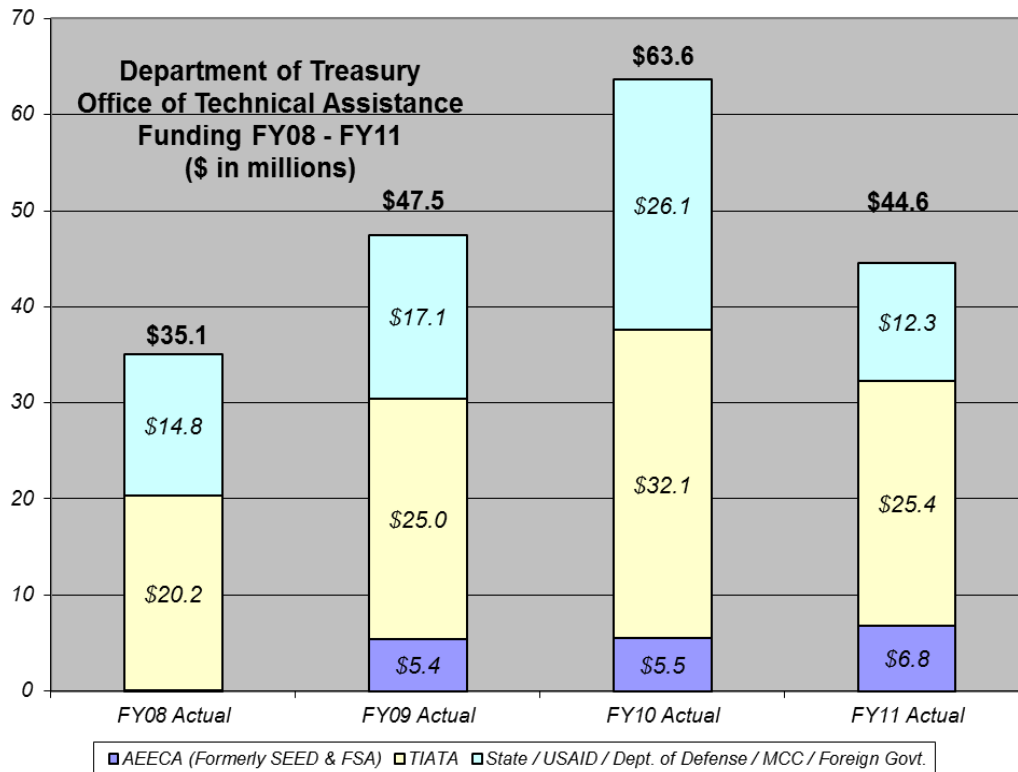
- **OTA works side-by-side with counterparts.** OTA engagements are based on close interaction between advisors and working-level partners, whether in a finance ministry, central bank, financial intelligence unit, tax administration, or other relevant government agency. Building capacity is not a matter of presenting theory and ideas, but introducing sound practices in daily work routines through ongoing mentoring and on-the-job training.

III. Program Management and Funding

As of the end of 2011, OTA had 103 projects in 49 countries. Twenty-eight percent of OTA's total projects in 2011 were in Asia, 26 percent in Sub-Saharan Africa, 22 percent in the Americas, 12 percent in the Middle East and North Africa, and 12 percent in Europe and Eurasia. While the specific number of projects and countries fluctuates from year to year, OTA has focused on providing more robust assistance to a fewer number of countries. This approach recognizes the systemic nature of public financial management and the importance of engaging with a counterpart government in various disciplines—tax administration, budget execution, debt management, financial sector supervision, and anti-corruption—simultaneously and in a coordinated way to achieve a stronger overall system.

Funding for OTA projects in 2011 totaled \$44.6 million. Seventy-seven of these projects, with a combined budget of \$31.013 million, were financed either wholly or partly by OTA's direct annual appropriation, formally known as "Treasury International Affairs Technical Assistance" or TIATA.

As the chart below indicates, TIATA is the single largest resource available to OTA for pursuing its mission. In addition to TIATA funding, OTA receives resources from the Department of State via Assistance for Europe, Eurasia and Central Asia (AEECA). AEECA resources, however, have declined significantly over the last decade and have remained at a relatively low level in recent years as the countries in these regions have become more self-sufficient and U.S. Government technical assistance less needed.



Notes

1. FY08 funds for AECA engagements not received by OTA from State until FY09.
2. FY10 TIATA figures include a \$7.1 million supplemental appropriation for assistance to Haiti.
3. FY10 figures include \$9.5 million in one-time supplemental Financial Crisis Rapid Response funding received by OTA from USAID to assist countries impacted by the global financial crisis.
4. Component amounts may not add up to or exceed total amounts due to rounding.

OTA also receives funding through occasional supplemental appropriations. In some cases, such as OTA’s work in Iraq and Afghanistan, supplemental funds are transferred to OTA from USAID and Department of State. In other cases, supplemental funds may be appropriated directly to OTA, such as the 2010 supplemental TIATA appropriation (\$7.1 million), which was part of the U.S. Government’s post-earthquake assistance package for the Government of Haiti. Tables A and B at the end of this report provide additional data on OTA funding sources in 2011.

TIATA funding can sometimes be used to co-fund projects with USAID, the Department of State’s Bureau of International Narcotics and Law Enforcement (INL), and other entities, though as Table A shows, this is relatively infrequent.

IV. Project Identification and Selection

Requests for technical assistance and information regarding potential projects come from many sources, including U.S. embassies, USAID missions, other Department of the Treasury offices, foreign governments, international organizations such as the International Monetary Fund (IMF), and from OTA advisors already on the ground implementing other projects.

For promising requests that are determined to be within the OTA mandate, an on-the-ground assessment is carried out by subject matter experts. Assessment results are shared with the partner government and the embassy. Indeed, OTA looks to its host-country counterparts to define project goals in the first instance. In our experience, goals and objectives that are not “owned” by the counterpart are seldom achieved.

A project proposal based on the assessment is submitted by the manager of one of OTA’s five core disciplines as part of an annual policy-level review. Decisions to begin new projects, or continue or terminate existing projects, are based on a number of criteria and considerations. They include the need for technical assistance; evidence of counterpart commitment to reform and good use of assistance; whether the project would complement other projects in a particular country or region; the relation of the project to Treasury policy priorities and broader U.S. Government goals; and the availability of funding. In the course of assessing the prospects for a given project, OTA consults with other Treasury offices, and other partners and stakeholders such as the Department of State and USAID (both in the field, at the embassy level and at the headquarters level in Washington), the International Monetary Fund, and the World Bank.

The final results of the project selection process are displayed at the end of this report in Table A, 2011 Budget Execution Plan.

V. Project Structure

OTA carries out technical assistance through two basic delivery models: resident advisor-based and intermittent advisor-based. A resident 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 officials in the ministry of finance, central bank, tax administration authority or other government institution. 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 experts in specialized areas who make short-term visits.

For an intermittent project, a group of advisors typically spends a total of 30 to 45 weeks per year over several years, in periods of two to three weeks at a time, working with host-country counterparts. Between these multi-week direct engagements, the counterparts are expected to carry out planned activities that are directed toward the objectives stated in a mutually-agreed-upon work plan. Between trips, advisors and counterparts are in frequent contact by email and phone. OTA often hires a permanent, full-time program assistant in-country to support the intermittent project.

Whether a resident or intermittent project model is selected depends on the extent and nature of the problems to be solved, and the best and most practical solutions to those problems. Typically a resident advisor will be utilized to cover a single, large subject area such as program budgeting or debt management, which will require several years to

complete. An intermittent advisor-based project will use several advisors to cover a multitude of specialized assistance topics such as audits, arrears collection and strategic planning in tax administration, or financial crime investigation techniques and anti-money laundering regulations.

Once a resident or intermittent project is selected for funding, Terms of Reference (TOR) are worked out with the counterpart agency and signed. The TOR describe the broad goals of the project and represent a bilateral understanding at the policy level between the U.S. Treasury and the host institution. Within a short period (normally six to eight weeks) after signing the TOR, a detailed work plan is agreed upon between the advisor assigned to the project and the working-level counterpart. This plan specifies objectives and planned completion dates, and is the primary basis for regular monthly progress reports to Treasury 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, the Millennium Challenge Corporation (MCC) and the relevant International Financial Institutions (IFIs). The reports are used as a management tool to oversee the progress of the project and to make any necessary changes. The reports also form the information base for responses to project queries from U.S. Government officials. In addition, supervising officials conduct field visits to meet counterparts and advisors, and review the project's progress, generally on an annual basis.

OTA covers the cost of advisor salary, travel and personal support, and pays for office equipment and a local program assistant. The host institution must provide office space for the advisor in its own headquarters building and adequate phone and internet communications.

OTA's small administrative staff in Washington, D.C. is focused on supporting projects in the field—arranging travel, contracting, pay and personnel administration, and providing project oversight and program management.

VI. Country Achievements

In 2011, OTA partner countries made significant achievements across all five areas of public financial management and financial sector strengthening in which OTA is involved. Notable accomplishments include the following:

Revenue Administration and Policy

Liberia Cracks Down on Corruption. In Liberia, OTA supported the Department of Revenue's effort to crack down on corruption and repair its public image. With OTA's help, the tax administration developed a code of conduct and provided ethics training for all employees. Tax enforcement officials founded an internal investigation unit that, in a little over a year, developed operating procedures, expanded staff, closed 32 cases, and

recovered \$76,000 in revenue—a small amount by some standards, but consequential as part of the broader reform.

Budget and Financial Accountability

Burkina Faso Creates Revenue Forecasting Model. Forecasting revenue accurately is the essential foundation upon which to build a credible resource allocation and budgeting process. To improve revenue forecasting in Burkina Faso, OTA assisted the Directorate of Research and Planning in developing new revenue estimating software programs (models); training staff on use and maintenance of the model; and producing an accurate and credible revenue estimate for the Government of Burkina Faso's 2012 budget. The Ministry of Finance is now using the estimates from this model in its budget formulation process, and it is fully maintained and operated by Directorate staff.

Government Debt Issuance and Management

Bosnia and Kosovo Issue Government Securities. Bosnia and Kosovo issued government securities on a competitive basis for the first time, the culmination of several years of technical assistance. OTA worked with these countries to craft laws and regulations, develop the skills of personnel to analyze governmental cash needs, and create a predictable and orderly issuance calendar. In Bosnia, the funds will be used to pay off obligations to citizens relating to frozen currency accounts from the Yugoslav era, resulting in no net increase in the debt burden of the country. Approximately 90% of the issuance was purchased by the banking sector, insurance companies and investment funds, and it provided a much needed boost to the Sarajevo Stock Exchange, where the bills are traded. In Kosovo, the government's fiscal needs center on the fact that it has limited access to international capital markets. The country is seeking funding to support its infrastructure program, and other domestic spending.

Banking and Financial Services

Vietnam Modernizes Banking Legislation. OTA supported the Ministry of Finance, the State Bank, and the National Assembly in the preparation of modernized legislation covering deposit insurance, credit institutions, and the State Bank itself. OTA provided the drafters of the law with a better understanding of the various types of deposit insurance schemes, and accompanied members of the parliamentary Economic Committee when these laws were discussed with members of the assembly in Hanoi, Da Nang and Ho Chi Minh City, as well as with foreign bankers. In the end, the Economic Committee adopted several of OTA's recommendations into the final laws, such as creating provisions for information sharing with foreign bank regulatory agencies to facilitate the licensing and supervision of foreign banks in Vietnam, and establishing procedures for the resolution of problem banks.

Economic Crimes

Guatemala Seizes Criminal Assets. Following the entry into force in June 2011 of a landmark law allowing the seizure of criminally-acquired assets, OTA has been mentoring Guatemala's developing asset forfeiture unit and training judges to oversee such proceedings. Twelve asset forfeiture matters arising from cases of extortion, corruption of city, state and federal officials, drug trafficking, wire transfers, and tax evasion have been adjudicated with more than \$6 million forfeited to the government. OTA has also been instrumental in brokering cooperation between the asset forfeiture unit and U.S. law enforcement agencies such as the DEA, Immigration and Customs Enforcement, IRS Criminal Investigation and the Office of Foreign Asset Control.

Lesotho Convicts Tax Evader. In August 2011, a wealthy furniture magnate and his son pled guilty to dozens of counts of tax evasion, facing fines and back taxes amounting to \$872,000. This successful prosecution was the capstone to an OTA effort to upgrade the investigative capability of the local revenue administration. OTA worked in 2008 and 2009 to create an organizational structure, position descriptions, and standard operating procedures for the investigative unit. While the origins of the long-running case predated the arrival of OTA, the advisor provided considerable guidance on the pursuit of the investigation as it unfolded, as well as on prioritizing other cases for criminal prosecution.

VII. Key Foreign Policy Priorities

OTA is an integral part of U.S. Government efforts to assist countries or regions in transition or recovering from war and natural disasters. This section covers projects in Afghanistan, Haiti, and East Africa aimed at assisting these countries to establish and strengthen their capacity to manage public finances and build secure financial sectors.

A. Afghanistan

OTA's work is a small but important part of the broader effort to strengthen the effectiveness of Afghan government institutions in support of transition to Afghan self-reliance. Treasury technical assistance aims to help Afghan authorities increase collection of non-tax revenues, conduct internal audits of key government ministries, strengthen budget connections between the center and provinces, and build capacity to investigate economic crimes. Despite a difficult security environment, our collaboration with Afghan counterparts has shown results in some areas, notably internal audit, non-tax revenue, budget, and debt management.

Internal Audit

OTA began this project in late 2010 by helping the internal audit unit at Afghanistan's Ministry of Finance (MoF) design an organizational structure and strategy, and then providing training on conducting audits and writing effective reports. Since then, steady progress has been made in the development at the ministry level of the internal audit

function, which reviews revenue collection processes, and makes suggestions for improving controls and streamlining processes. The audits have served as the basis for recommendations to Afghan ministries. For example, one audit recommended that the Ministry of Agriculture should eliminate the requirement that minister approval be obtained before monthly revenues are deposited in the central bank. Another audit recommended that the Ministry of Mines needs to review payment schedules of contractors and seek penalties for late payments.

In 2011, audits were completed in four ministries and an additional five audits were started, following four completed audits in 2010. A total of 16 initial audits are scheduled to be completed in 2012, which means that all ministries will have undergone the process. More importantly, the first four ministries audited in 2010 had follow-ups in early 2012 to review the progress of implementation of the recommendations. Two of these ministries were found to have made significant progress in improving revenue processes. To maintain progress, the Ministry of Finance needs to continue to follow up with ministries on implementing the recommendations.

Non-Tax Revenue

OTA is also partnering with the U.S. Federal Aviation Administration to streamline revenue collection at Afghanistan's four major airports. A new fee structure for airport usage was approved by the Ministry of Transportation and published on its website, along with a notice announcing the end of cash payments for airport services effective January 15, 2012. With the posting of these fees, there is now uniformity and transparency, with a noticeable increase in revenue expected in the coming year. In addition, the notice included a statement to clarify that there are no other fees that apply for civil aviation. Many airports were charging local and provincial "taxes," which were thinly disguised bribe payments for the airport managers. Afghanistan's airports desperately need to prevent revenue leakage in order to maintain their infrastructure and eventually to provide for security, which so far has been funded by the United Arab Emirates.

Budget

OTA's resident advisors are working with their Afghan counterparts in two main areas: treasury operations, and strengthening the links between provinces and the central government in the formulation of the national budget.

In the treasury operations area, OTA's efforts are focused on providing strategic-level advice to the Director General of the Treasury on strengthening public financial management, developing a banking services request for proposals, improving financial reporting, developing procedures for budget execution monitoring, and reviewing actual expenditures against budget allocations.

In the budget area, OTA, the Ministry of Finance, and the Independent Directorate of Local Governance are partnering to develop an effective and transparent system that allows provinces to participate in the creation of a national budget. Traditionally, budget formulation in Afghanistan has been a "top-down" process in which provinces have little capacity or opportunity to provide input. In this pilot project, OTA is working with five

central ministries and their provincial directorates to foster more “bottom-up” participation in the budget formulation process. As of the end of 2011, out of the 170 provincial entities (five ministry branches in each of 34 provinces), 168 had submitted budget requests and justifications. This outcome far surpassed the Ministry of Finance’s expectations.

Financial Crimes Investigation

In the financial crimes investigation area, OTA’s efforts have been part of the multinational Major Crimes Task Force (MCTF). MCTF advisors, including those from the FBI, U.S. Army Criminal Investigation Division, and other international partners, mentor and train Afghan law enforcement on high-level investigations of kidnapping, corruption, and organized crime. OTA’s resident economic crimes advisor has worked with Afghan counterparts through the MCTF to build the capacity of local investigators to conduct investigations of economic crime and corruption. With OTA assistance, MCTF authorities have developed processes for identifying, investigating, and applying financial investigative techniques against narcotics trafficking, organized crime, public corruption, and smuggling. Despite a very difficult environment for prosecuting major crimes, OTA assistance has contributed to some progress. For example, MCTF authorities successfully conducted an investigation into counterfeiting U.S. currency that resulted in recovery of counterfeit bills and led to a number of arrests. MCTF also initiated several corruption/financial crimes investigations of high-level targets.

Debt Management

OTA’s intermittent-based government debt project provides support on debt matters, focusing on debt forgiveness, debt management process issues, strategy, and organization. Currently the advisor is working closely with authorities in obtaining additional debt relief from various “old” creditors, the largest of which holds \$950 million in Afghan government debt.

B. Haiti

As part of the broader U.S. Government and international response to Haiti’s earthquake, OTA focused in 2011 on broadening and strengthening its existing support in the areas of economic crimes and tax administration, offering additional assistance in insurance. Progress has been slowed by delays in forming Haiti’s first government under President Martelly, and again in early 2012 by the formation of a new government.

Economic Crimes

Cooperation from the Haitian financial intelligence and financial crimes investigation units trained by OTA resulted in a Florida federal court handing down to a businessman a 15-year sentence for bribery. This is the longest sentence ever imposed in a case involving the Foreign Corrupt Practices Act. As a result of this cooperation, the former president of Terra Telecommunications Corp. was sentenced in August for his role in a scheme to pay bribes to officials at Haiti Teleco, a state-owned telecommunications company. According to evidence presented at trial, the bribes were intended to obtain preferred telecommunications rates, reductions in the number of minutes for which

payment was owed, and the continuance of Terra's telecommunications connection with Haiti. OTA has been developing the ability of the financial intelligence and financial crimes investigation units to collect and analyze suspicious transaction reports from banks and other entities, and in turn to send and receive data and analysis from authorities in other countries, a necessity given the transnational nature of this type of financial crime.

In another ongoing example of international cooperation, Haiti has now seized \$38 million in criminally-acquired assets stemming from both overseas and domestic court cases over the past four years. Under Haitian law, assets belonging to convicted drug traffickers are subject to confiscation. OTA has trained the economic crimes unit of the Haitian National Police in conducting financial investigations and tracing assets. OTA has also provided assistance to another Haitian government unit that is responsible for the management of the seized assets. Once a confiscation order is entered, the assets are either sold or turned over to the government of Haiti for public use. Proceeds from the sale of seized assets are used to fund law enforcement activities, while several confiscated properties are being used by Haitian government agencies because of damage sustained to their own buildings during the earthquake.

Tax Administration

In Haiti's tax administration, the internal control department has existed for some time but has been moribund, focusing on mundane issues such as monitoring whether employees show up on time. The Director General has asked for OTA assistance in making the unit live up to its promise by focusing on more important performance standards and improving procedures to minimize opportunities for corruption.

In the last quarter of 2011, the unit completed the first audit of the department, which is responsible for direct contact with taxpayers, accepting payments and processing declarations. The audit obtained baseline data on the time it takes taxpayers to complete certain transactions and gave the auditors experience that will make future classroom training more relevant. OTA will work on improving the unit's report writing abilities, creating specific benchmarks for tax administration performance, and creating procedures for follow-ups on the recommendations. The unit also began planning the next audit of the unit responsible for procurement.

Insurance

In the financial sector, OTA consulted with the Haitian Government on options for helping the insurance industry recover and fulfill its role as a cornerstone of financial and economic development. Haiti's insurance industry today comprises only a handful of small companies operating with local capital and local know-how. It is largely undeveloped by international standards, and is essentially unregulated and unsupervised. Even basic insurance company financial statements are unavailable to the Ministry of Finance.

Insurance companies estimated their earthquake losses at \$40–60 million. Three companies maintained that they were unable to fully cover these losses with their own

reserves, leaving policyholders in the lurch. As a critical first step, in March 2011, OTA experts examined the balance sheets of these firms, and quantified the extent of unpaid losses at \$28 million. Following this baseline estimate, OTA provided a matrix of policy options for the Government of Haiti to consider in placing the insurance industry on sounder footing.

C. East African Community (EAC) Financial Integration

OTA is at the forefront of U.S. Government efforts to support members of the East African Community in their desire to move towards financial integration. Now comprising Burundi, Kenya, Rwanda, Tanzania, and Uganda, the EAC was founded 12 years ago and has created for itself an ambitious agenda to achieve customs, monetary and, eventually, political union.

OTA has projects in all member countries in a range of activities including revenue mobilization, banking supervision, infrastructure finance, and development of government securities markets. The shared focus and common technical assistance objective is on supporting the EAC Regional Financial Markets Development Plan and assisting each country's efforts to attain standards related to monetary and economic reform, which have been earmarked as the EAC's priority convergence criteria. The Plan's central focus is the harmonization of policy structures and upgrading fiscal, monetary and debt management frameworks, infrastructure, institutions, and practices.

OTA is providing high-level policy advice on three main financial sector issues: developing a cross-border, scalable, and low cost payment system that complies with both best practices and regulatory requirements; harmonizing deposit insurance schemes that otherwise offer different amounts of consumer protection, costs of doing business, and competitive distortions; and bringing banking services to a wider audience through mobile payments technology.

In 2007, OTA first posted a resident regional advisor in Kenya to help develop an East Africa government securities market. The advisor also now assists in Burundi and Rwanda, helping the countries on a broad range of improvements to government securities markets and related infrastructures, debt sustainability, investor base, and inter-agency communication. Another advisor is assisting in building the capacity of a new secretariat within the Ministry of Finance to assist the national, as well as local government, in developing successful Public Private Partnerships to finance much-needed infrastructure.

In Uganda and Tanzania, advisors are providing assistance to help these governments meet the key goals of creating larger and more liquid bond issues, which are sold on a publicly-announced schedule, and expanding the list of potential buyers through development of both primary and secondary markets, leading to lower financing costs for the government.

VIII. Global Initiatives: Spotlight on Cash Management

While most of its projects operate on a bilateral basis, OTA has several initiatives which operate globally. This section focuses on one of those initiatives -- cash management.

Many developing countries suffer from decentralized control of their cash, with government agencies operating in separate and distinct financial fiefdoms. The central government may not even know how many thousands of bank accounts have been opened by its component parts.

As a result, the central treasury function may be borrowing to meet its disbursement needs while other agencies hold stockpiles of cash that are often underinvested. OTA's cash management project enables governments to harness modern banking technology to monitor their financial needs, and swiftly and efficiently concentrate and allocate funds to meet their financial and budgetary obligations in a timely manner.

With OTA assistance, a government can improve the information flow to create a snapshot of its current funding needs, and enhance its cash forecasting skills. If there is a surplus, ideally excess funds will be invested in short term instruments. On the flip side, debt may be issued if it is found to be needed to compensate for a seasonal shortfall. This type of OTA assistance has been provided to a number of countries, including El Salvador, Ghana, Lesotho, and Moldova.

As with many other OTA projects, advisors are assisting in the creation and development of workgroups that can set overall policy, upgrading the technical skills of administrative personnel, and ensuring that policies and procedures are optimized and then documented. This past year, OTA's Cash Management team supported an interagency working group of members of the Philippines government on the development of purchase cards for military procurement. In the recent past, audits of the financial management of the armed forces uncovered numerous weaknesses. To address some of the issues, a taskforce of the military and the government audit and budget authorities issued a request for proposals to find a cashless purchase card provider. Upon implementation of this new program in 2012, it is anticipated that the detailed financial transactions can be posted to the internet as a way to make government more transparent.

An important aspect of the cash management initiative is that it brings together a number of OTA's functional teams in both formal and informal ways. Improving cash management will lead to efficiencies in the management of public debt. Improving the capabilities of central banks' payment systems and banking regulations will create environments where counterpart governments will be able to take advantage of new products in the financial sector. Likewise, improving tax collection systems will assist with the mobilization and concentration of cash that are critical to the execution of a government's budget.

IX. 2011 Program Evaluation

In 2011, OTA completed the ninth year of its program evaluation process. As part of this process, OTA evaluates the level of “traction” (the degree to which changes in behavior occur—e.g., officials take an active and participative role in pursuing change, interim deliverables are on or ahead of schedule), and “impact” (the extent to which the objectives are actually achieved) for each technical assistance project. The level of traction and impact is measured by OTA advisors and headquarters staff according to specific indicators that are relevant to each of the five OTA financial disciplines (budget, banking, debt, economic crimes, and revenue). Revenue team indicators, for example, include adoption of modern functional processes and procedures, and adequacy of investigation and adjudication of internal/conduct matters by the tax agency.

OTA’s utilization of this program evaluation model continues to yield sound and encouraging results. The 2011 baseline targets for OTA’s traction and impact were set on a 5-point scale (with 5 representing the highest possible traction and impact) at 3.6, and 3.1 respectively. OTA was pleased that its performance goals were exceeded with actual scores of 3.7 for traction, and 3.2 for impact, which are consistent with the program’s historical averages.

In 2009, a customer survey instrument was designed to collect information directly from country counterparts who have worked first-hand with OTA advisors. OTA teams use the surveys as an additional point of information on both project focus and customer perception of success. Results from these surveys continue to help OTA better understand challenges that its projects face around the globe. Results from the surveys have consistently supported the highly favorable praise that OTA has received anecdotally over the years. In 2011, all five OTA teams surveyed project counterparts in 13 countries. Responses noted that in most cases expectations were exceeded and that major contributions had been made to strengthening institutional capacity and professional capacity of staff in the foreign counterpart organizations.

OTA has worked over the past two years with the Department of State and USAID on developing the Foreign Assistance Dashboard, created in response to the principles of the Paris Declaration on Aid Effectiveness and the President’s Open Government Initiative. Both OTA and other U.S. Treasury Departmental Offices are providing program data to be used in the testing and development of the dashboard. This effort supports Congressional interests and initiatives such as the bi-partisan H.R. 3159—The Foreign Aid Transparency and Accountability Act of 2012.

Annex 1: OTA Strategic Plan

STRATEGIC PLAN 2011-2015 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 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 U.S. Government objectives.

The foundation of OTA’s program will continue to reside in five core disciplines— Revenue Administration and Policy; Budget and Financial Accountability; Government Debt Issuance and Management; Banking and Financial Services; and Economic Crimes, 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 U.S. Government priorities.
- 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.

Table A

2011 Budget Execution Plan

Projects Funded By FY 2011 Treasury International Affairs Technical Assistance (TIATA) Appropriation

| | <u>Team</u> | <u>Advisor Category</u> | <u>Co- Financing</u> | <u>TIATA</u> | <u>Total</u> | |
|---|-----------------------------|-------------------------|--|--------------|--------------|--------------|
| <u>LATIN AMERICA AND CARRIBBEAN</u> | | | | | | |
| 1 | Colombia | TAX | Project Coordinator + Intermittents | \$ - | \$ 439,840 | \$ 439,840 |
| 2 | Costa Rica | ENF | Resident | \$ - | \$ 454,916 | \$ 454,916 |
| 3 | Costa Rica | GDIM | Resident | \$ - | \$ 123,611 | \$ 123,611 |
| 4 | Dominican Republic | BUD | Resident | \$ - | \$ 86,982 | \$ 86,982 |
| 5 | Dominican Republic | GDIM | Resident | \$ - | \$ 550,322 | \$ 550,322 |
| 6 | Ecuador | TAX | Project Coordinator + Intermittents | \$ - | \$ 391,183 | \$ 391,183 |
| 7 | El Salvador | FIT | Resident | \$ - | \$ 104,050 | \$ 104,050 |
| 8 | El Salvador | GDIM | Resident | \$ - | \$ 508,354 | \$ 508,354 |
| 9 | Guatemala | BUD | Resident | \$ - | \$ 609,300 | \$ 609,300 |
| 10 | Guatemala | ENF | Resident/Intermittent | \$ - | \$ 497,999 | \$ 497,999 |
| 11 | Guatemala | GDIM | Resident | \$ - | \$ 561,327 | \$ 561,327 |
| 12 | Guatemala | TAX | Project Coordinator + Intermittents | \$ - | \$ 511,426 | \$ 511,426 |
| 13 | Honduras | BUD | Resident | \$ - | \$ 509,535 | \$ 509,535 |
| 14 | Honduras | ENF | Resident/Intermittent | \$ - | \$ 644,300 | \$ 644,300 |
| 15 | Honduras | GDIM | Resident | \$ - | \$ 527,569 | \$ 527,569 |
| 16 | Honduras | TAX | Project Coordinator + Intermittents | \$ - | \$ 626,139 | \$ 626,139 |
| 17 | Infrastructure Finance Team | GDIM | Intermittent | \$ - | \$ 330,486 | \$ 330,486 |
| 18 | Jamaica | BUD | Resident | \$ - | \$ 628,251 | \$ 628,251 |
| 19 | Regional LACFII | FIT | Resident/Regional | \$ - | \$ 681,117 | \$ 681,117 |
| 20 | Uruguay | ENF | Intermittent | \$ - | \$ 400,969 | \$ 400,969 |
| 21 | Uruguay | FIT | Intermittent | \$ - | \$ 232,377 | \$ 232,377 |
| Subtotal Latin America and Caribbean | | | | \$ - | \$ 9,420,052 | \$ 9,420,052 |

| | <u>Team</u> | <u>Advisor Category</u> | <u>Co- Financing</u> | <u>TIATA</u> | <u>Total</u> | |
|----------------------|---|-------------------------|--|--------------|---------------------|---------------------|
| ASIA | | | | | | |
| 22 | Cambodia | BUD | Resident | \$ - | \$ 739,031 | \$ 739,031 |
| 23 | Cambodia | FIT | Resident/Intermittent Project Coordinator + | \$ - | \$ 652,639 | \$ 652,639 |
| 24 | Cambodia | TAX | Intermittents | \$ - | \$ 383,702 | \$ 383,702 |
| 25 | India | ENF | Intermittent | \$ - | \$ 284,126 | \$ 284,126 |
| 26 | India-US Economic and Financial Partnership | GDIM | Intermittent | \$ - | \$ 39,721 | \$ 39,721 |
| 27 | Indonesia | FIT | Intermittent | \$ - | \$ 395,096 | \$ 395,096 |
| 28 | Indonesia | GDIM | Resident | \$ - | \$ 250,677 | \$ 250,677 |
| 29 | Mongolia | BUD | Intermittent Project Coordinator + | \$ - | \$ 26,217 | \$ 26,217 |
| 30 | Mongolia | TAX | Intermittents | \$ - | \$ 469,606 | \$ 469,606 |
| 31 | RegANE (Mekong Regional) | ENF | Resident | \$ - | \$ 840,966 | \$ 840,966 |
| 32 | Thailand | FIT | Intermittent | \$ - | \$ 90,289 | \$ 90,289 |
| 33 | Vietnam | FIT | Resident + Intermittent | \$ - | \$ 656,801 | \$ 656,801 |
| 34 | Vietnam | GDIM | Intermittent Project Coordinator + | \$ - | \$ 136,229 | \$ 136,229 |
| 35 | Vietnam | TAX | Intermittents | \$ - | \$ 286,416 | \$ 286,416 |
| Subtotal Asia | | | | \$ - | \$ 5,251,516 | \$ 5,251,516 |

| | <u>Team</u> | <u>Advisor Category</u> | <u>Co- Financing</u> | <u>TIATA</u> | <u>Total</u> | |
|--|--|-------------------------|--------------------------|---------------------|---------------------|------------|
| <u>MIDDLE EAST AND NORTH AFRICA</u> | | | | | | |
| 36 | Algeria | ENF | Intermittent | \$ - | \$ 150,000 | \$ 150,000 |
| 37 | Algeria | FIT | Resident + Intermittent | \$ - | \$ 223,529 | \$ 223,529 |
| 38 | Algeria | TAX | Intermittent | \$ - | \$ 406,319 | \$ 406,319 |
| 39 | Jordan | ENF | Resident | \$ - | \$ 275,110 | \$ 275,110 |
| 40 | Libya | FIT | Intermittent | \$ - | \$ 58,824 | \$ 58,824 |
| 41 | Morocco | ENF | Resident | \$ - | \$ 577,992 | \$ 577,992 |
| 42 | Palestinian Monetary Authority | ENF | Resident | \$ - | \$ 583,550 | \$ 583,550 |
| 43 | Regional MENA | FIT | Intermittent | \$ - | \$ 337,058 | \$ 337,058 |
| 44 | Regional Africa Economic Community (AEC) and MENA | ENF | Intermittent | \$ - | \$ 188,628 | \$ 188,628 |
| Subtotal Middle East and North Africa | | | \$ - | \$ 2,801,010 | \$ 2,801,010 | |

| | <u>Team</u> | <u>Advisor Category</u> | <u>Co- Financing</u> | <u>TIATA</u> | <u>Total</u> | |
|----------------------------------|--|-------------------------|--|--------------|--------------|------------|
| <u>SUB-SAHARAN AFRICA</u> | | | | | | |
| 45 | Angola | GDIM | Resident | \$ - | \$ 598,813 | \$ 598,813 |
| 46 | Botswana | ENF | Resident | \$ - | \$ 577,157 | \$ 577,157 |
| 47 | Burkina Faso | BUD | Intermittent | \$ - | \$ 25,278 | \$ 25,278 |
| 48 | Burkina Faso | BUD | Resident | \$ - | \$ 170,314 | \$ 170,314 |
| 49 | Ghana | ENF | Resident + Intermittent | \$ - | \$ 705,597 | \$ 705,597 |
| 50 | Ghana | BUD | Resident | \$ 294,675 | \$ 476,860 | \$ 771,535 |
| 51 | Ghana | GDIM | Resident | \$ - | \$ 215,765 | \$ 215,765 |
| 52 | Lesotho | BUD | Resident | \$ - | \$ 335,087 | \$ 335,087 |
| 53 | Liberia | TAX | Project Coordinator + Intermittents | \$ - | \$ 512,102 | \$ 512,102 |
| | Regional East Africa (Kenya, Uganda, Rwanda, | | | | | |
| 54 | Burundi) | FIT | Resident | \$ - | \$ 466,625 | \$ 466,625 |
| 55 | Regional East Africa (Kenya, Uganda, Rwanda, | GDIM | Resident | \$ - | \$ 578,116 | \$ 578,116 |

| | | | | | | | |
|------------------------------------|--|-------------|--------------------------------|-----------|----------------|---------------------|---------------------|
| | <i>Burundi</i> | | | | | | |
| 56 | <i>Regional East Africa EAC Initiative (Kenya)</i> | <i>GDIM</i> | <i>Resident</i> | \$ | - | \$ 423,529 | \$ 423,529 |
| 57 | <i>Nigeria</i> | <i>TAX</i> | <i>Resident + Intermittent</i> | \$ | - | \$ 611,002 | \$ 611,002 |
| 58 | <i>Nigeria</i> | <i>FIT</i> | <i>Resident</i> | \$ | - | \$ 609,635 | \$ 609,635 |
| 59 | <i>Rwanda</i> | <i>FIT</i> | <i>Resident + Intermittent</i> | \$ | - | \$ 389,505 | \$ 389,505 |
| 60 | <i>Senegal</i> | <i>GDIM</i> | <i>Resident</i> | \$ | - | \$ 635,711 | \$ 635,711 |
| 61 | <i>South Africa</i> | <i>BUD</i> | <i>Intermittent</i> | \$ | - | \$ 97,253 | \$ 97,253 |
| 62 | <i>Tanzania</i> | <i>GDIM</i> | <i>Resident</i> | \$ | - | \$ 612,592 | \$ 612,592 |
| 63 | <i>Uganda</i> | <i>GDIM</i> | <i>Resident</i> | \$ | - | \$ 475,315 | \$ 475,315 |
| 64 | <i>Uganda</i> | <i>TAX</i> | <i>Intermittent</i> | \$ | - | \$ 250,000 | \$ 250,000 |
| 65 | <i>Zambia</i> | <i>BUD</i> | <i>Resident</i> | \$ | - | \$ 589,661 | \$ 589,661 |
| Subtotal Sub-Saharan Africa | | | | \$ | 294,675 | \$ 9,355,917 | \$ 9,650,592 |

| | <u>Team</u> | <u>Advisor Category</u> | <u>Co-Financing</u> | <u>TIATA</u> | <u>Total</u> | | |
|---------------------------------|---|-------------------------|---------------------|--------------|--------------|---------------------|---------------------|
| SENIOR ADVISORS | | | | | | | |
| 66 | <i>Regional Advisor</i> | <i>GDIM</i> | \$ | - | \$ 307,186 | \$ 307,186 | |
| 67 | <i>Senior Advisor</i> | <i>FIT</i> | \$ | - | \$ 298,963 | \$ 298,963 | |
| 68 | <i>Senior Advisor</i> | <i>TAX</i> | \$ | - | \$ 478,737 | \$ 478,737 | |
| 69 | <i>Senior Advisor: Africa/Middle East</i> | <i>ENF</i> | \$ | - | \$ 389,515 | \$ 389,515 | |
| 70 | <i>Senior Advisor: Eurasia</i> | <i>ENF</i> | \$ | - | \$ 374,525 | \$ 374,525 | |
| 71 | <i>Senior Advisor: LAC</i> | <i>ENF</i> | \$ | - | \$ 329,814 | \$ 329,814 | |
| 72 | <i>Senior Advisor</i> | <i>BUD</i> | \$ | - | \$ 546,381 | \$ 546,381 | |
| 73 | <i>Senior Advisor</i> | <i>GDIM</i> | \$ | - | \$ 356,362 | \$ 356,362 | |
| 74 | <i>Senior Advisor</i> | <i>FIT</i> | \$ | - | \$ 398,299 | \$ 398,299 | |
| Subtotal Senior Advisors | | | | \$ | - | \$ 3,479,781 | \$ 3,479,781 |

| | <u>Team</u> | <u>Advisor Category</u> | <u>Co- Financing</u> | <u>TIATA</u> | <u>Total</u> |
|---|---------------------------------------|-------------------------------|--------------------------|---------------|---------------|
| <u>OTHER FUNDED ACTIVITIES</u> | | | | | |
| 75 | <i>Cash Management</i> | <i>BUD/GDIM Full-time TDY</i> | \$ - | \$ 326,447 | \$ 326,447 |
| 76 | <i>Global Petroleum Revenue</i> | <i>TAX Full-time TDY</i> | \$ - | \$ 152,941 | \$ 152,941 |
| 77 | <i>Global FIU Analytical Training</i> | <i>ENF Resident</i> | \$ - | \$ 226,010 | \$ 226,010 |
| Subtotal Other Funded Activities | | | \$ - | \$ 705,398 | \$ 705,398 |
| GRAND TOTAL | | | \$ 294,675 | \$ 31,013,674 | \$ 31,308,349 |

Notes

1. TIATA figures include carryover of prior year TIATA funds.
2. OTA Team abbreviations: BUD = Budget and Financial Accountability; ENF = Economic Crimes; FIT = Banking and Financial Services; GDIM = Government Debt Issuance and Management; TAX = Revenue Administration and Policy.

Table B

2011 Non-TIATA Sources of Funding

Treasury International Affairs Technical Assistance (TIATA)

| Purpose | Source | Transfer Category | Amount |
|---|-------------------|--------------------------|---------------------|
| Assistance for Europe, Eurasia and Central Asia (AEECA) | State | 632(a), 632(b) | \$6,781,041 |
| Technical Assistance to Government of Afghanistan | State | 632(a) | \$5,929,753 |
| Technical Assistance to Government of Iraq | State | 632(b) | \$1,972,100 |
| Pathways to Prosperity - El Salvador and Costa Rica | State | 632(b) | \$1,320,000 |
| Technical Assistance to Government of Paraguay | USAID | 632(b) | \$940,000 |
| Financial Crisis Rapid Response - Mongolia | USAID | 632(b) | \$650,000 |
| Caribbean Basin Security Initiative | State/INL | 632(b) | \$500,000 |
| Technical Assistance to Government of Ghana | USAID | 632(b) | \$294,675 |
| Technical Assistance to Government of Jamaica | Govt. of Jamaica | n/a | \$219,367 |
| Technical Assistance to Government of Georgia | State/INL | 632(b) | \$150,000 |
| Technical Assistance to Government of Pakistan | USAID | 632(a) | \$120,150 |
| Technical Assistance to Government of Honduras | Govt. of Honduras | n/a | \$112,723 |
| Energy Governance Capacity Initiative | USAID | 632(b) | \$100,000 |
| Technical Assistance to Government of Ghana | MCC | 632(b) | \$41,082 |
| TOTAL | | | \$19,130,891 |