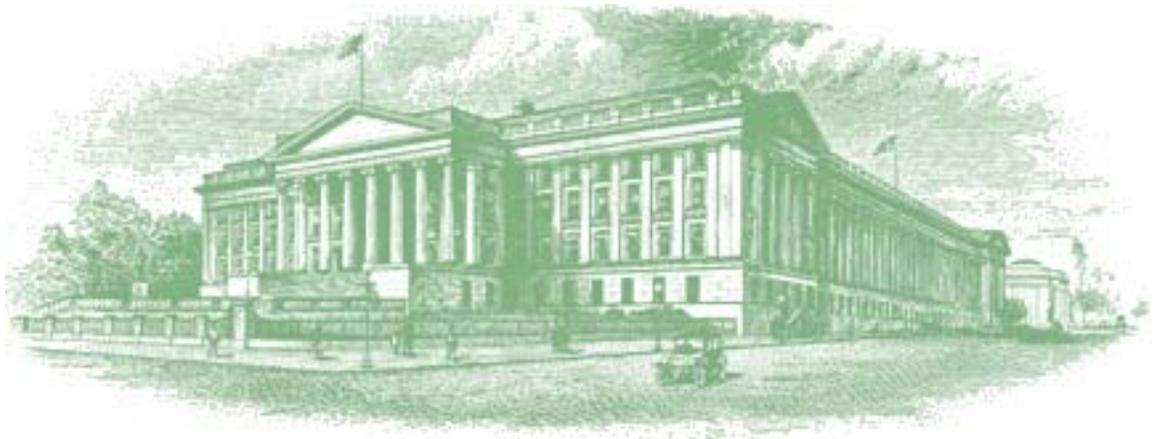




# Audit Report



OIG-07-039

INTERNATIONAL ASSISTANCE: Survey of Treasury's Trade Facilitation Operations

May 29, 2007

Office of  
Inspector General

Department of the Treasury



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## Abbreviations

IA	Office of International Affairs
IDB	Office of Multilateral Development Banks
IDP	Office of Development Policy
ITF	Office of Trade Finance and Investment Negotiations
ITT	Office of International Trade
MDB	Multilateral Development Bank
OECD	Organization for Economic Cooperation and Development
OIG	Office of Inspector General
TPCC	Trade Promotion Coordinating Committee
USED	United States Executive Director
WTO	World Trade Organization

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*The Department of the Treasury  
Office of Inspector General*

May 29, 2007

Clay Lowery  
Acting Under Secretary, International Affairs

The Department of the Treasury's Office of International Affairs (IA) advises and assists the Secretary and Deputy Secretary of the Treasury in the formulation and execution of U.S. international economic and financial policy, including development of policies with respect to international finance, economic, monetary, trade, investment, bilateral aid, environment, debt, development, and energy programs. IA's role includes providing advice and assistance related to U.S. participation in international financial institutions such as the multilateral development banks (MDB).

Pursuant to a request by current Representatives Donald Manzullo and John Mica, and former Representative Sue Kelly, we surveyed Treasury's trade facilitation operations under the auspices of the Trade Promotion Coordinating Committee (TPCC). The TPCC was created to provide a unifying interagency framework to coordinate U.S. export promotion and export financing activities and to develop a government-wide strategic plan for such activities.

Our objectives were to identify (1) the offices involved in trade facilitation within IA, (2) the offices' missions and partners in carrying out their missions, (3) how the offices promoted U.S. exports, (4) how the offices measured and reported the results of their trade promotion efforts, and (5) annual Treasury expenditures associated with the promotion of U.S. exports.

We also (1) determined what guidance Treasury provided to U.S. representatives at selected MDBs, (2) inquired as to how Treasury tracked whether MDBs' trade-capacity-building programs were

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achieving the results expected by Treasury, and (3) determined how Treasury programs or activities are selected for inclusion in the annual National Export Strategy report issued by the Department of Commerce.

To address these objectives, we interviewed officials and personnel in IA and at selected MDBs. We also reviewed related documents. We conducted our work during November and December 2006. Appendix 1 contains a more detailed description of our scope and methodology.

## Results in Brief

IA staff identified the Office of International Trade (ITT), the Office of Trade Finance and Investment Negotiations (ITF), the Office of Multilateral Development Banks (IDB), and the Office of Development Policy (IDP) to provide the requested information on Treasury's trade facilitation activities. Of these offices, IA staff consider only ITT and ITF as conducting trade promotion activities.<sup>1</sup> ITT and ITF's primary functions are supporting the reduction of subsidies and other trade barriers and the creation of a level playing field for trade and U.S. exporters, rather than the promotion of individual U.S. businesses. IA does not have performance measures specifically related to trade promotion. Since their primary function is to provide policy-related advice, ITT and ITF staff noted the difficulty of instituting performance measures related to trade promotion. Treasury's budget authority related to trade promotion compared to other agencies is relatively small. In this regard, Treasury's fiscal year 2006 budget for trade promotion was \$3 million.

IDB and IDP are responsible for MDB-related activities. MDBs are international financial entities established to provide financial support for projects and programs that promote social progress and economic growth and development in developing countries. The

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<sup>1</sup> Trade facilitation involves policies and procedures intended to assist the movement of goods across borders (e.g. simplification of customs procedures). Trade promotion involves activities that increase foreign and domestic business activity and investment, increase market access for U.S. exporters, and strengthen productivity and competitiveness. Treasury informed us that they view only trade promotion activities as falling under the auspices of the TPCC.

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U.S. is the single largest shareholder at most of the MDBs. The U.S. Executive Directors (USED) at the MDBs represent the U.S. government on the MDB boards of directors. The USEDs are responsible for promoting the priorities of the U.S. at the MDBs. Treasury's role with respect to USEDs is to ensure that they are informed of the Administration's views on relevant issues. Guidance provided by Treasury offices to USEDs includes advising on policies, loans, and grants and providing voting instructions on MDB project proposals. IA staff track the status of all MDB projects and maintain documentation on issues related to each. Treasury follows the projects to determine whether they are adequately addressing Treasury objectives and expectations in a particular area and that they comply with legislative mandates.

Treasury's input to the annual National Export Strategy report generally depends on which topics are selected for inclusion by the TPCC Secretariat and Department of Commerce officials. Treasury's input to the report is limited to comments, adjustments, and suggested additions to the selected topics. Treasury reviews the draft report circulated by the TPCC Secretariat and provides comments and adjustments, as needed.

We plan to provide this report to the Congressional requesters and post it on our website. A draft copy of the report was provided to IA for comment, and we incorporated suggested changes, as appropriate. Management's official response is included in Appendix 3.

## Background

TPCC, established by Congress in 1992, has a membership of 20 federal agencies.<sup>2</sup> TPCC was created to provide a unifying

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<sup>2</sup> TPCC is chaired by the Department of Commerce. In addition to Treasury and Commerce, TPCC members include the Department of State, Department of Transportation, Department of Agriculture, Department of Energy, Department of Defense, Department of Labor, Department of the Interior, U.S. Agency for International Development, U.S. Trade and Development Agency, Environmental Protection Agency, Small Business Administration, Overseas Private Investment Corporation, Export-Import Bank of the United States, Office of the U.S. Trade Representative, Council of Economic Advisors, Office of Management and Budget, National Economic Council/National Security Council, and Department of Homeland Security.

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interagency framework to coordinate U.S. export promotion and export financing activities and to develop a government-wide strategic plan for carrying out such activities. TPCC member agencies provide training, market information, advocacy, trade finance, and other services to U.S. companies, especially small- and medium-sized businesses, seeking to export their products. TPCC reports its activities to Congress annually in the National Export Strategy report, which is largely drafted and compiled by the Department of Commerce. Treasury's fiscal year 2006 \$3 million budget for TPCC-related activities accounted for a very small share (less than 1 percent) of member agencies' combined budget authority of more than \$1.5 billion.

The responsibilities of IA include developing policies and guidance for the Department's activities in the areas of international monetary affairs, trade and investment negotiations, international debt strategy, and U.S. participation in international financial institutions. The Under Secretary for International Affairs coordinates U.S. economic policies with the finance ministers of other G7<sup>3</sup> industrial nations and prepares the President for annual economic summits with those countries, as well as Russia. The Assistant Secretary for International Affairs supports the Under Secretary and supervises the Business Office and eight Deputy Assistant Secretaries, who are each responsible for one or more offices headed by a director. A simplified organization chart focused on the offices within IA involved in trade facilitation activities can be found in appendix 2.

Although ITT, ITF, IDB, and IDP's activities may be considered as supporting trade facilitation, IA staff identified ITT and ITF as the offices primarily responsible for trade promotion activities within Treasury.

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<sup>3</sup> The G7 refers to the U.S., Japan, Germany, the United Kingdom, France, Italy, and Canada whose finance ministers meet to discuss financial issues. The G8 includes Russia and encompasses meetings of Heads of State, Finance Ministers, Foreign Ministers, and other government representatives. Russia is not a full participant in the G7 finance discussions.

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## Survey Results

### Trade Promotion Activities

#### Office of International Trade

ITT provides policy analysis and recommendations to senior Treasury policymakers with respect to U.S. trade and financial services policy, represents Treasury in interagency trade policy deliberations, and participates in trade negotiations led by the U.S. Trade Representative. Generally, ITT does not engage in trade advocacy related to the promotion of individual U.S. businesses or the export of goods. Such activities are performed mainly by the Department of Commerce's Advocacy Center, the Department of State, and Congress.

ITT's trade promotion activities include helping negotiate free trade agreements and formulating U.S. policy under the Trade Promotion Authority.<sup>4</sup> ITT staff also advocates U.S. positions in financial services negotiations in the World Trade Organization (WTO),<sup>5</sup> bilateral and regional free trade agreements, and bilateral investment treaties. In this capacity, ITT consults closely with the U.S. financial services sector, Congress, and U.S. regulators to develop its negotiating position. ITT promotes conditions that are supportive of international trade, including the reduction of trade barriers and ensuring a level playing field in world trade. In this effort, ITT provides input during trade negotiations and dispute settlements, and endorses established priorities such as sustainable growth, increased transparency, and private sector development. In certain instances ITT may also advocate provisions beneficial to a particular sector. While ITT receives advice from certain industry groups, it typically advocates for the entire business sector.

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<sup>4</sup> The Trade Promotion Authority, also known as fast-track authority, enacted as part of the Trade Act of 2002, provides a framework for cooperation between the executive branch and Congress in trade negotiations and includes a streamlined mechanism for congressional consideration of trade agreements. The current Trade Promotion Authority is set to expire on July 1, 2007.

<sup>5</sup> The WTO is an international organization, consisting of nearly 150 countries, dealing with the global rules of trade between nations. Its function is to ensure that trade flows as smoothly, predictably, and freely as possible.

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ITT also represents Treasury in (1) the Trade Policy Staff Committee, which helps develop U.S. trade policy; (2) the Trade Policy Review Group, and (3) the Committee for the Implementation of Textile Agreements. The Trade Policy Staff Committee and the Trade Policy Review Group are administered and chaired by the U.S. Trade Representative and have voting representatives from 19 federal agencies and offices, including Treasury. These two groups comprise the subcabinet-level mechanism for developing and coordinating the U.S. government positions on international trade and trade-related investment issues. If the Trade Policy Staff Committee cannot reach agreement or is considering significant policy questions, the issues are then taken up by the Trade Policy Review Group. Supporting the Trade Policy Staff Committee are more than 90 subcommittees responsible for specialized areas and several task forces that work on particular issues. The Committee for the Implementation of Textile Agreements, an interagency group chaired by the Department of Commerce, is responsible for matters affecting textile trade policy and for supervising the implementation of all textile trade agreements. The Committee is comprised of the Departments of Commerce, State, Labor, and Treasury and the U.S. Trade Representative. ITT also works on trade policy issues outside of these groups with other federal agencies, including the Departments of Commerce, State, and Defense, and the U.S. Agency for International Development.

### **Office of Trade Finance and Investment Negotiations**

ITF focuses on the policy and negotiations aspects of both trade finance and investment. Treasury does not consider its investment work to be trade promotion and Treasury's activities in this area are not discussed here.

ITF is responsible for developing, implementing, and enforcing the U.S. government's international trade and aid finance policy. ITF's goal with respect to trade finance is to create and maintain a market-based environment where subsidies in government financing are minimized or eliminated. According to ITF officials, minimizing official export subsidies increases the role of private markets in international finance. This allows U.S. exporters to compete fairly with foreign companies that are supported by

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financing from their governments, and to do so at the lowest cost to U.S. taxpayers.

Internationally, ITF carries out its work by representing the U.S. in the Organization for Economic Cooperation and Development (OECD)<sup>6</sup> as the U.S. negotiator and technical expert on a wide range of trade finance<sup>7</sup> issues. ITF leads the U.S. position during OECD negotiations on trade finance issues. Although ITF primarily works within the OECD framework and with OECD member countries, it has made efforts to improve bilateral trade relations with the emerging markets and export credit agencies of Brazil, Russia, India, and China, which are large players in world trade but not OECD members. ITF currently has major outreach underway with Brazil, India, and China.

Domestically, ITF oversees U.S. export financing and aid programs to ensure that they comply with OECD rules. Such programs are operated by a number of agencies, including the U.S. Agency for International Development, Department of Agriculture, Export-Import Bank, Maritime Administration, Overseas Private Investment Corporation, and U.S. Trade and Development Agency. Additionally, ITF consults with trade associations and industry groups to identify and assess competitive issues as they arise, and to analyze proposed solutions.

ITF advises Treasury officials on all trade and aid finance policy issues as necessary, recommends positions, and coordinates the U.S. position with other agencies. For example, ITF worked closely for many months with senior Treasury officials and with staff from the Department of Commerce, the Export-Import Bank, Office of Management and Budget, U.S. Agency for International Development and other agencies developing a mixed credit program under TPCC auspices. The program is intended to increase U.S.

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<sup>6</sup> OECD's membership consists of 30 industrialized, market-economy countries. Representatives from OECD countries meet to exchange information and harmonize policy for the purposes of maximizing economic growth within member countries and helping nonmember countries develop more rapidly.

<sup>7</sup> Trade finance refers to the institutions, laws, regulations, and other systems related to the following three activities: (1) the provision of capital to firms that are engaging in international trade transactions, (2) the provision of support services to manage the risk involved in these transactions, and (3) the provision of international payment mechanisms.

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exporters' access to development projects that are financed concessionally.

### **Measurement and Reporting of Trade Promotion Activities**

IA does not have a system for measuring and reporting the results of its trade promotion activities since staff believe that it is not a trade promotion agency and such activities represent a small fraction of the totality of IA's work. IA staff also told us that it would be difficult for IA to devise quantitative measures of results because most of its work is policy-related, not programmatic. IA management has been hesitant to implement or rely on such performance measures in the belief that such measures could encourage poor results. For example, IA reported on the number of free trade agreements underway or completed in Treasury's Fiscal Year 2005 Performance and Accountability Report. ITT staff cited this as a poor measure, since it is usually better to have no agreement than to have a bad agreement.

### **Annual Budget Related to Trade Promotion Activities**

Although identifying Treasury's expenditures related to trade promotion was one of our initial objectives, we analyzed Treasury's budget for activities related to trade promotion, since it was budget authority amounts that were reported in the National Export Strategy. According to the 2006 National Export Strategy report, Treasury's fiscal year 2006 trade promotion budget authority was \$3 million.

IA determined this amount based on its work related to trade promotion. That is, it identified the positions within the two offices (ITT and ITF), as well as the various costs associated with those positions (salary, benefits, travel, and a portion of overhead), and then rounded that figure to the nearest million. We reviewed IA's budgetary documents to verify this process and identified a variance of approximately \$23,000, which we considered immaterial.

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## Activities Related to Multilateral Development Banks

IDB and IDP are the primary offices performing MDB-related activities. MDBs are international financial entities that finance economic and social development projects and programs in developing countries. The five major MDBs to which the U.S. belongs are the World Bank Group, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, and the European Bank for Reconstruction and Development. MDBs do not play a role in implementing free trade agreements but most have trade-capacity-building programs.<sup>8</sup>

### Office of Multilateral Development Banks

IDB is responsible for overseeing U.S. participation in most of the major global and regional international development institutions. Among its specific responsibilities are the following:

- Advancing the U.S. development agenda for promoting economic growth and reducing poverty through MDBs by developing, implementing, and coordinating the U.S. position on MDB operational and financial policies, projects, and programs.
- Overseeing MDBs' project proposals and country assistance strategies.<sup>9</sup>
- Developing internal guidance on MDB lending techniques and instruments,<sup>10</sup> which involves close and continuous interaction with the governing bodies of the banks through the USEDs, bank staff and management, shareholder governments, senior Treasury officials, other U.S. agencies,<sup>11</sup> and Congress.

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<sup>8</sup> Trade-capacity-building programs are initiatives that promote foreign trade by increasing supply capacity for the marketplace, improving competitiveness, reducing trade barriers, improving physical infrastructure, developing public-private partnerships, and stimulating economic growth and employment.

<sup>9</sup> A country assistance strategy is a document that links the development goals of an individual country to the support that will be provided by an MDB.

<sup>10</sup> MDBs provide financing in the form of loans and grants.

<sup>11</sup> Among the other federal agencies involved with projects at the MDBs are the Departments of State, Commerce, and Energy, the U.S. Trade Representative, and the Environmental Protection Agency. These agencies review and provide feedback on grants and loans that will be brought before an MDB's board.

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- Preparing Treasury’s annual appropriations request for the U.S. contribution to MDBs.
  - Negotiating replenishments of the institutions and the policy reforms that are an integral part of the replenishments.

The U.S. MDB Reform Agenda – an Administration initiative to increase the effectiveness of MDBs and make them more “results-oriented” – has the following goals:

- Making assistance effective through managing for results, supporting good performers, improving debt sustainability, and increasing grants.
- Private sector-led economic growth and trade through promotion of small business, building good investment climates, liberalizing trade, and investing in infrastructure.
- Good governance, increasing transparency, and fighting corruption.
- Supporting U.S. foreign policy objectives through responding to global challenges.

Because many MDB loans are concessional (typically with no interest and a longer grace period and maturity than other forms of financing), these MDBs’ funding must be periodically replenished so they can continue their financing operations. As a result, MDBs enter into periodic replenishment negotiations with representatives from funding nations. These replenishment negotiations are the main vehicle used by the U.S. to secure its reform agenda. IDB is responsible for developing proposals and briefing materials for each MDB replenishment negotiation.

In recent replenishments, such as those in 2005 for the World Bank’s International Development Association and the Inter-American Development Bank’s Multilateral Investment Fund, the U.S. obtained commitments for key reforms, including development of results-based management systems; improved performance-based allocation systems to distribute resources to countries that can use them most effectively; and greater transparency and increased efforts to combat corruption in countries, MDB loans and grants, and the institutions themselves.

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IDB has also worked with other government agencies on issues pertaining to projects at the MDBs. These agencies include the Department of State, Department of Commerce, Department of Energy, U.S. Trade Representative, and Environmental Protection Agency. Discussions have also occurred between IDB staff and groups from U.S. industry regarding improving procurement opportunities for U.S. businesses at the MDBs.

### **Office of Development Policy**

IDP's goal is to set and help advance Treasury and U.S. government policy priorities for promoting economic growth and poverty reduction in developing countries. IDP focuses on aid effectiveness, public expenditure management, social and environmental safeguard policies, and financing mechanisms and instruments. A current IDP effort involves working with foreign governments and MDBs to develop and utilize indicators that allow the public to track governments' ability to effectively use resources. IDP also provides policy advice and technical support to other offices within IA, including IDB, the International Monetary Policy Office, and the regional and functional offices. In addition, IDP provides staff support to the Secretary of the Treasury in his capacity as a member of the Board of Directors of the Millennium Challenge Corporation<sup>12</sup> and support for advancing international policy priorities through international and regional forums.

### **Roles and Responsibilities of the U.S. Executive Directors at the MDBs**

The primary representative of the U.S. government at each MDB is the USED. USEDs are appointed by the President and confirmed by the Senate. They are considered to be employees of their respective institutions and are not entitled to compensation from

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<sup>12</sup> The Millennium Challenge Corporation is a U.S. government-owned corporation responsible for the stewardship of the Millennium Challenge Account. The account is a mechanism used to provide foreign aid to developing nations who meet certain criteria established by the Administration.

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the U.S. government. USEDs have the responsibility of promoting U.S. interests at their respective MDBs. USEDs work to support the MDB Reform Agenda by regularly consulting with U.S. government agency experts to ensure that projects at the MDBs are consistent with U.S. policy goals and through their voice and vote on the boards of directors at the MDBs, following guidance and instructions from Treasury.

The USEDs also perform specific work to promote U.S. interests. For example, the USED at the Inter-American Development Bank conducts outreach activities to increase the awareness of procurement opportunities at the Bank for the U.S. business community. The USED at the African Development Bank has worked to improve procurement policies at the Bank and to align the Bank's procurement policies with that of the World Bank. Also, the USED at the European Bank for Reconstruction and Development has worked to ensure that the programs being funded by the Bank are within the scope of work intended in the Bank's charter.

### **Guidance Provided to U.S. Executive Directors**

IDP and the IDB provide both formal and informal guidance to the USEDs. Written memoranda to the USEDs constitute the formal means of communication and are used when a project is of high importance or when the USED will either abstain from voting or vote no on a project. All such memoranda are signed by either the Assistant Secretary for International Affairs or the Deputy Assistant Secretary for International Development Finance and Debt. Informal guidance provided by telephone and e-mail is used when communicating on non-controversial issues. According to IDP and IDB staff and USEDs whom we interviewed, the USEDs and IA staff coordinate closely. This coordination includes daily contact regarding project proposals and other issues at the banks. IDP and IDB staff also review strategy papers prepared by MDBs and provide feedback to the USEDs.

In addition, offices within IA compile an annual legislative mandates manual to serve as guidance for the USEDs and MDB desk officers in IA. This manual consolidates information on a number of legal mandates that address U.S. interests at MDBs.

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## **Trade-Capacity-Building Programs at MDBs**

U.S. trade capacity building is primarily a collection of existing trade and development activities placed under one umbrella. In 2001, the U.S. government initiated a survey, administered by the U.S. Agency for International Development, designed to capture the nature and extent of existing trade-capacity-building activities. The survey defined trade capacity building as activities meant to help countries join the WTO, implement WTO agreements, and build the capacity to benefit more broadly from a rules-based trading system. For purposes of our report, we have categorized trade-capacity-building activities as follows:

- Trade facilitation—such as customs modernization and export promotion
- Human resources and labor standards—such as workforce development and protecting worker rights
- Agriculture development—such as promoting agribusiness
- Financial sector development—such as monetary and fiscal policy reforms
- Physical and economic infrastructure development—such as improving roads and ports
- WTO-related—such as WTO awareness and WTO agreements
- Governance, transparency, and interagency coordination

We found that the five MDBs included in our survey currently operate or promote trade-capacity-building programs. For example, the World Bank actively promotes the use of its financing, technical assistance, and research capabilities for trade capacity building. The Inter-American Development Bank promotes trade capacity building, including through its support of the Central American Free Trade Agreement. The Asian Development Bank supports trade through technical assistance programs in its member countries. The European Bank for Reconstruction and Development promotes foreign trade through its Trade Facilitation Program. In addition, the African Development Bank promotes trade capacity building through its regional integration projects and through high level workshops and seminars.

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## **Treasury Assessment of Trade-Capacity-Building Programs at MDBs**

Staff at IDP and IDB maintain documentation on the issues related to each of the projects at the MDBs, which includes a database of the voting records of the U.S. This documentation is used to determine whether a bank's trade-capacity-building programs are addressing Treasury's objectives and expectations in a particular area.

## **Treasury Input to the Annual National Export Strategy Report**

Treasury does not select the programs that are included in the annual National Export Strategy report. Report topics are selected by the TPCC Secretariat and the Department of Commerce official with oversight responsibility for TPCC. Agency contributions to the report are made in response to requests from the TPCC Secretariat.

After the TPCC Secretariat has completed a draft report, it is circulated among the agencies for input, comments, and clearance. It is at this time that Treasury reviews the draft report, provides comments, and makes adjustments, as needed.

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We would like to extend our appreciation for the cooperation and courtesies extended to our staff during this audit. If you have any questions, please contact me at (202) 927-5400 or Alain Dubois, Director of Banking Audits, at (202) 927-0382. Major contributors to this report are listed in appendix 4.

Marla A. Freedman  
Assistant Inspector General for Audit

## **Objectives**

In a letter dated August 4, 2006, Representatives Donald A. Manzullo and John Mica, and then Representative Sue Kelly, U.S. House of Representatives, requested our office to undertake a brief survey of the Department of the Treasury's (Treasury) trade facilitation operations under the auspices of the Trade Promotion Coordinating Committee (TPCC). The requestors made concurrent TPCC-related requests to the Offices of Inspector General (OIG) of other agencies, including the Department of Commerce, Department of State, and U.S. Agency for International Development. We coordinated with these other OIGs as appropriate.

We developed our specific objectives in consultation with staff of the House Committee on Small Business. Those objectives were to identify (1) the offices involved in trade facilitation within Treasury's Office of International Affairs (IA), (2) the offices' missions and partners in carrying out their missions, (3) how the offices promoted U.S. exports, (4) how the offices measured and reported the results of their trade promotion efforts, and (5) annual Treasury expenditures associated with the promotion of U.S. exports.

We also (1) determined what guidance Treasury provided the U.S. representatives at selected multilateral development banks (MDB), (2) asked how Treasury tracked whether MDBs' trade-capacity-building programs were achieving the results expected by Treasury, and (3) determined how Treasury programs or activities are selected for inclusion in the annual National Export Strategy report issued by the Department of Commerce.

## **Scope and Methodology**

Officials within Treasury and IA identified two offices within IA that play a significant role in trade promotion – the Office of International Trade and the Office of Trade Finance and Investment Negotiations. We conducted interviews with appropriate Treasury officials to identify (1) the offices' partners in carrying out their missions, (2) how the offices promote U.S. exports, and (3) how

the offices measured and reported the results of their trade promotion efforts.

We obtained and reviewed budget-related documentation and reviewed Treasury's fiscal year 2007 Justification for Appropriations to determine Treasury's budget for activities related to trade promotion. Although identifying Treasury's expenditures related to trade promotion was one of our initial objectives, we subsequently decided to obtain information supporting Treasury's budget for activities related to trade promotion, since budget authority amounts were reported in the National Export Strategy.

We used Government Accountability Office definitions to identify what constitutes trade capacity building. To determine the Treasury's policies, plans, and strategies related to trade capacity building, we researched the Treasury and IA Web sites, interviewed IA officials and staff, and obtained and reviewed documentation.

We also interviewed IA officials to (1) identify the offices responsible for managing relationships with the MDBs, (2) determine what guidance Treasury provides to the U.S. representatives at selected MDBs, (3) identify the expectations and evaluation criteria regarding MDB trade capacity building, and (4) determine whether the MDB trade-capacity-building programs are meeting their expectations and evaluation criteria. We also obtained and reviewed guidance provided by Treasury to the U.S. Executive Directors (USED) at MDBs.

We interviewed the USEDs at the five major MDBs to which the United States belongs to determine the guidance they received from Treasury and their roles and responsibilities as Executive Directors and to identify the expectations and evaluation criteria regarding their respective MDBs' trade-capacity-building programs. These five MDBs are the World Bank Group, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, and the European Bank for Reconstruction and Development.

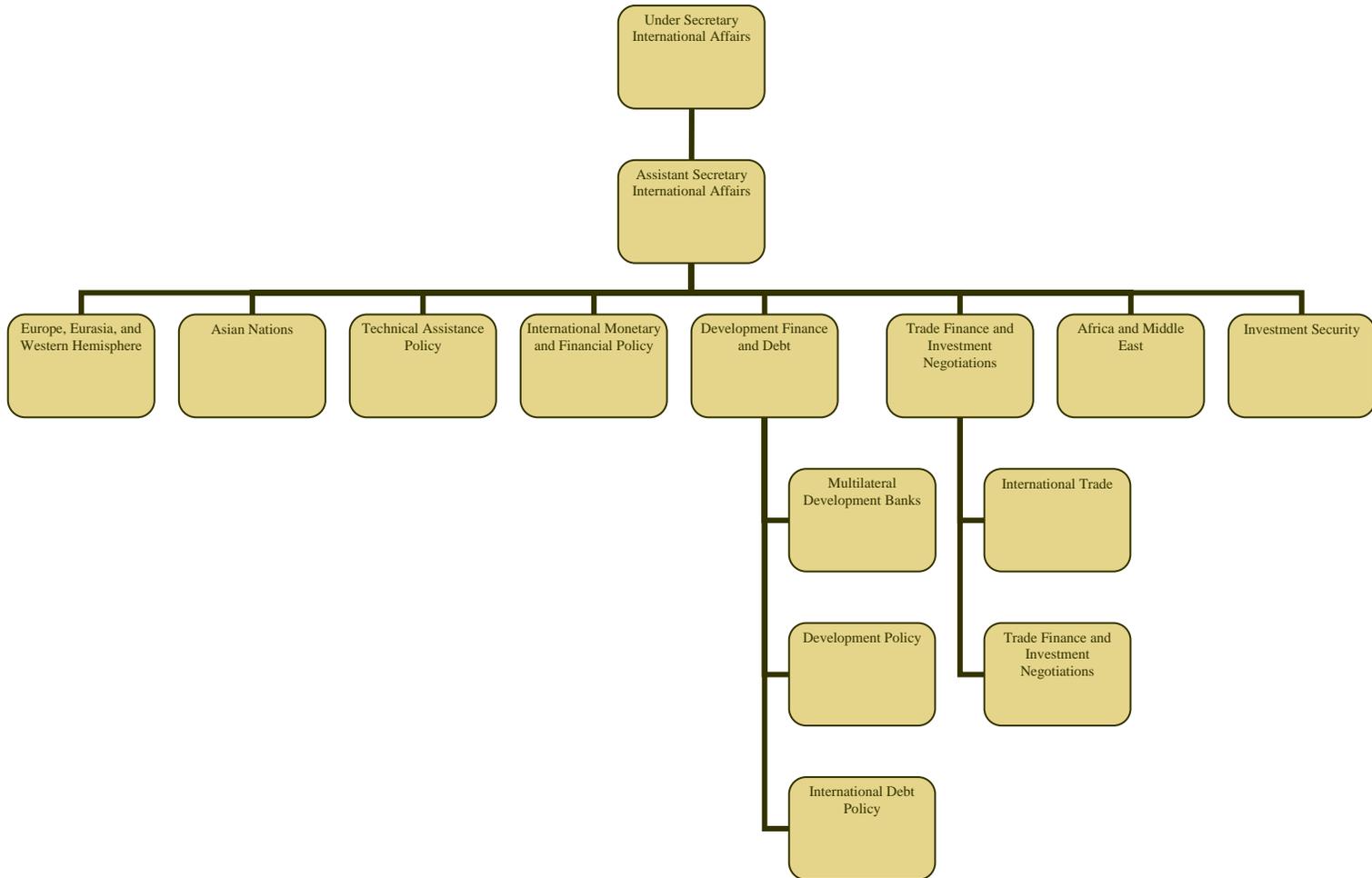
We obtained Treasury's recent submissions for the annual National Export Strategy report and identified the official within Treasury

who was responsible for coordinating the Treasury's input. We interviewed the official to (1) identify the criteria Treasury used to determine what to include in the report and (2) identify and assess the process for coordinating with the Department of Commerce the input to be provided.

We conducted our review from November to December 2006 in accordance with generally accepted government auditing standards.

Appendix 2  
Department of the Treasury, Office of International Affairs Organization Chart

**Simplified Office of International Affairs Organization Chart**



Source: Treasury Office of International Affairs

Appendix 3  
Management Comments



UNDER SECRETARY

DEPARTMENT OF THE TREASURY  
WASHINGTON

May 16, 2007

**MEMORANDUM FOR MARLA A. FREEDMAN  
ASSISTANT INSPECTOR GENERAL FOR AUDIT**

**FROM:** Clay Lowery *CL*  
Acting Under Secretary, International Affairs

**SUBJECT:** Response to Draft Audit Report - DOMESTIC AND  
INTERNATIONAL ASSISTANCE: Survey of Treasury's  
Trade Facilitation Operations

Thank you for allowing my staff and me to review and comment on your draft discussion report regarding the trade promotion and trade facilitation activities carried out by the Office of International Affairs under the auspices of the Trade Promotion Coordinating Committee (TPCC). Your report also surveys the guidance that we provide to the U.S. Executive Directors at the multilateral development banks, and whether the trade capacity building programs of those banks are achieving the results that we expect. We understand that this survey was conducted in response to a Congressional request led by Representative Donald Manzullo.

My staff and I appreciate the constructive atmosphere that was maintained by your staff over many hours' worth of interviews and correspondence, as well as your willingness to accept the majority of our changes to the initial draft report. Feel free to contact me if you have any questions or follow-up after your final report has been delivered.

Appendix 4  
Major Contributors to This Report

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Alain Dubois, Director, Banking Audits  
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Rafael J. Cumba, Referencer

**The Department of the Treasury**

Office of Strategic Planning and Performance Management  
Office of Accounting and Internal Controls

**Office of International Affairs**

Acting Under Secretary for International Affairs  
Director, Business Office

**Office of Management and Budget**

OIG Budget Examiner

**U.S. House of Representatives**

Representative Donald Manzullo  
Representative John Mica