U.S. Department of the Treasury

OFFICE OF TECHNICAL ASSISTANCE

740 15th St., NW Suite 400 Washington, DC 20005 | P: 202-622-7610 | F: 202-622-5879 | info@ota.treas.gov

Treasury Technical Assistance: A Legacy of Financial Sector Strengthening

1990 Established by Treasury to support economic transition in Central and Eastern Europe following the fall of the Berlin Wall

1991 Begin first resident advisor project in Poland (Poland would join the European Union in 2004 along with other former Eastern Bloc countries)

1995 Initiate first engagement in conflict-affected country (Bosnia)

1997 Form new team to focus on economic crimes and anti-corruption

1998 Send banking advisors to Indonesia and Thailand to assist with Asian financial crisis

1999 Congress authorizes and provides direct funding for OTA to provide assistance worldwide

2003 Deploy advisors to Afghanistan and Iraq to support reconstruction efforts

2004 Form first partnership with Millennium Challenge Corporation on compact and threshold programs

2007 Launch financial inclusion initiative to increase safe and secure access to financial services

2008 Assist countries affected by the global financial crisis

2009 Launch effort focused on strengthening the capacity of governments to structure and implement infrastructure projects

2010 Join State Department's Energy Governance and Capacity Initiative to improve transparency in natural resources extraction

2010 Begin partnership with State Department to build capacity of Central American and Caribbean countries to combat economic crimes

2014 Deploy advisors to Ukraine to assist interim authorities during economic and political crisis

2014 Begin partnership with State Department to improve fiscal transparency worldwide through the Fiscal Transparency Innovation Fund

A well-functioning financial sector is critical to achieving a country's broader economic, political, and security objectives. The mission of the U.S. Treasury Department's international 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.

For over twenty years, OTA has helped many countries develop and implement market-based financial policies and management practices that support growing economies and stable democracies. Though OTA focuses on the public sector, the benefits of improved public financial management serve the wider community: citizens; private enterprise; and other interests in the economy at large. A government that manages the public purse with integrity and effectiveness not only delivers essential services better, it also builds credibility with its citizens and the international community.

OTA provides financial sector assistance in five core disciplines: revenue policy and administration, budget and financial accountability, government debt and infrastructure finance, banking and financial services, and economic crimes. In addition, OTA engages in related areas requiring cross-disciplinary collaboration, such as financial inclusion, IT system development, and auditing. OTA's cadre of highly experienced technical advisors work side-by-side with counterparts in finance ministries, central banks, tax departments and other public sector financial institutions, typically for a period of several years. Assistance may be provided on a sustained basis by resident advisors, or by intermittent advisors who travel overseas for short term assignments.

OTA Emphasizes These Values and Objectives:

- We place the highest priority on institutional and individual capacity building and work side-by-side as partners with managers and line personnel.
- We are flexible and responsive to country requests.
- We work with governments that are committed to reform and to using our assistance productively.
- We employ a corps of highly-experienced advisors who have faced and successfully worked through the kinds of problems confronted by counterparts around the world.
- We work collaboratively with other U.S. Government agencies and international organizations.
- We aim to create maximum impact with our projects and then move on once local capacity has been created.

OTA is a small, cost-effective program that leverages modest budget resources to help partner countries achieve significant development outcomes such as the following:

- **Colombia** created the first Inspector General for revenue issues in Latin America, an independent body tasked with investigating corruption and rooting out systemic weaknesses in the tax and social security administrations. The Inspector General, which was developed based on recommendations from OTA, has significantly reduced the time required to conduct and close investigations.
- **Costa Rica** successfully implemented an infrastructure project to open an international airport terminal in the main tourist gateway. OTA helped the government evaluate and determine the best financing and execution models to proceed with the project.
- **Honduras** conducted operations to seize the assets of a drug trafficking organization, netting over $500 million in assets. OTA worked with the Honduran government to develop an anti-money laundering/combatting the financing of terrorism regime.
- **The Philippines** is implementing a new payroll and human resources system that may result in significant savings, up to 10 percent of payroll. OTA advised the government on a multi-year process of modernizing and centralizing the payroll system.
- **South Africa** established a medium-term expenditure framework to guide provinces and the national government in post-apartheid budget development. This framework, developed by OTA, continues to serve as the primary tool for balancing competing policy choices and determining the equitable distribution of revenue between levels of government.

East African Community (EAC) Financial Integration

OTA and Central Bank of Kenya officials at the Kenya School of Monetary Studies

OTA is supporting members of the EAC (Burundi, Kenya, Rwanda, Tanzania, and Uganda) in their desire to move towards financial integration and harmonization. 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.

With OTA assistance, the EAC has made significant progress in implementing an integrated payment system that will facilitate cross-border trade throughout the EAC and improving government securities markets and debt management strategies.

The mission of the **Revenue Policy and Administration Program** is to provide assistance to tax and customs administrations and ministries of finance that strengthens their ability to serve the country and its people through the efficient, responsible collection of revenues. Projects focus on collection of maximum revenue under law, promotion of fairness and transparency, building processes that inform and assist taxpayers, and countering corruption in all of a country's revenue collection operations.

Specific areas of assistance include:

- Tax policy advice and legislative drafting, emphasizing fairness and compliance burden as well as revenue production;
- Efficient tax processing, taxpayer accounting and registration;
- Promotion of tax and customs compliance:
    - Support of voluntary compliance through taxpayer education and information;
    - Audit and debt management;
    - Criminal enforcement;
- Design and management of administrative and organizational systems, including establishing and strengthening of large and medium taxpayer offices;
- Internal controls and internal inspections to deter and redress corruption;
- Effective human resources and performance management systems;
- Project management consulting, particularly with respect to tax IT systems; and
- Training at all levels, from executive strategic planning and management workshops, to technical training of auditors and collectors.

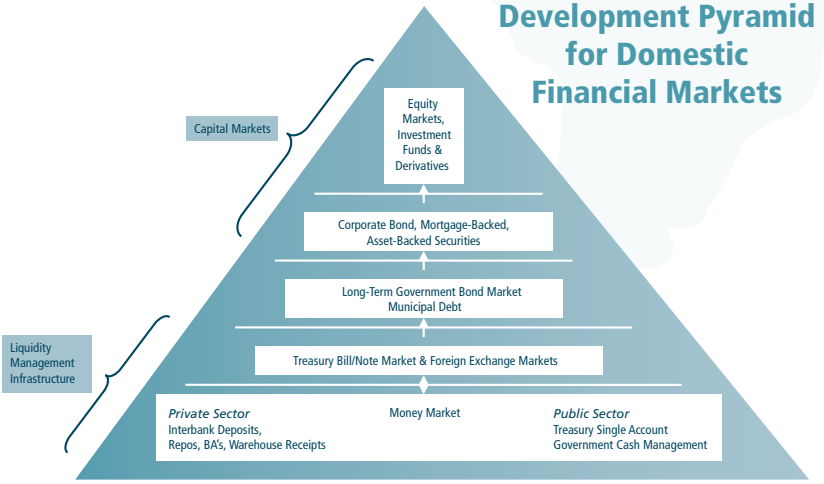
Monrovia, Liberia

The mission of the **Government Debt and Infrastructure Finance (GDIF) Program** is twofold. First, GDIF helps host countries implement sound public debt management practices and develop domestic debt markets through which the government can predictably finance itself within acceptable cost and risk parameters. Robust domestic government debt markets support political and fiscal stability, monetary policy transmission, and broader capital market development for sub-national and private sector issuers and investors. GDIF sovereign debt advisors assist counterpart officials in implementing important objectives:

- Strengthening the legal and regulatory framework for sovereign debt management and issuance;
- Building institutional and staff capacity to issue and manage public debt through market-friendly mechanisms;
- Adopting comprehensive debt management and funding policies and strategies;
- Creating a broader range of financing instruments and sources to fund the government's budgetary and capital investment needs, while providing local investors safe instruments for their savings; and
- Designing and implementing securities issuance, trading and settlement mechanisms that support financial market transparency, efficiency, and liquidity.

The graphic below illustrates the various components involved in developing domestic financial markets. GDIF operates primarily in the lower three tiers of pyramid, which provide the solid foundation for broader capital market development.

Development Pyramid for Domestic Financial Markets



Source: International Monetary Fund (IMF)

The second component of GDIF's mission is to assist host countries to develop and finance basic infrastructure, such as transportation, public safety and health facilities, and energy, that is critical to a country's economic development and quality of life. GDIF helps build counterpart governments' capacity to accelerate infrastructure development and apply the most effective approach to the implementation of economically and financially sound infrastructure projects. GDIF infrastructure finance advisors work with government officials as they:

"...help build counterpart governments' capacity to accelerate infrastructure development..."

- Strengthen their legal framework and regulatory environment, particularly for public private partnerships;
- Build and staff an appropriate infrastructure development and management organization;
- Increase their capability to analyze and manage the fiscal impact of specific project proposals, particularly the impact on debt, contingent liabilities, and long-term operating costs;
- Improve and institutionalize the project development process, including contracting and dispute resolution mechanisms;
- Enhance interagency and private sector communications; and
- Attract prospective project investors, concessionaires, and creditors.

OTA advisors assess Tanzanian power plant project.

The mission of the **Budget and Financial Accountability Program** is to strengthen the effectiveness of ministries of finance, the readability and transparency of budget documents, and the management and expenditure of government resources. OTA works with countries to improve all aspects of the "Budget Cycle" depicted below.

While assistance is tailored to the needs of each country, specific activities may include:

- Reforming financial and administrative policies and procedures by drafting laws, regulations, standards, and manuals;
- Introducing and institutionalizing fiscal analysis techniques;
- Implementing customized business processes for manual and automated systems;
- Implementing international fiscal and accounting standards;
- Assessing organizational structures, staffing requirements and job descriptions; recommending changes; and assisting with implementation; and
- Increasing capacity through informal and formal training.

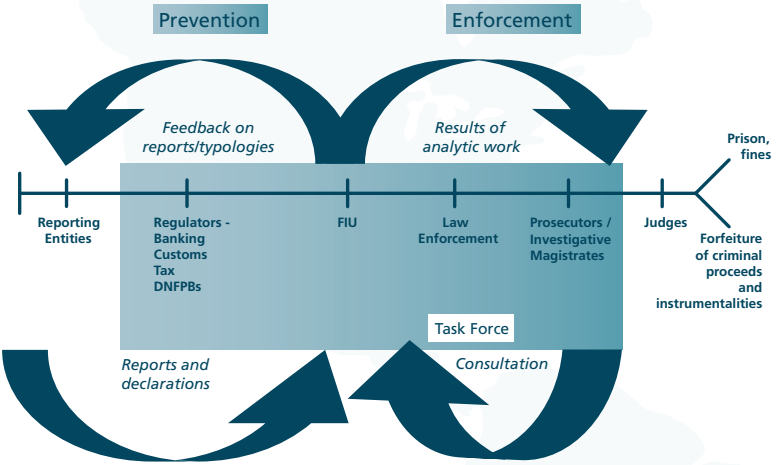
The **Banking & Financial Services Program** supports the development of sound, robust, well-regulated institutions that are effective financial intermediaries accessible to all and resistant to mismanagement, fraudulent financial activity, and adverse macroeconomic conditions. Specific projects may entail:

"... supports the development of sound, robust, well-regulated institutions ..."

- *Banking, Insurance, and Financial Market Supervision:* implementation of the Basel Accords, risk-based supervision; stress tests and early warning systems;
- *Bank Restructuring:* rehabilitation of problem banks; management and disposition of distressed assets; liquidation of failed financial institutions; privatization of state-owned banks;
- *Deposit Insurance Systems:* drafting of laws; operational design; development and implementation of policies and regulations; calculation of fund size and premiums;
- *Financial Stability:* harmonizing macro-prudential approaches to monitor financial sector risks; creating oversight committees and issuing financial reports to highlight potential instabilities or weaknesses in financial sectors;
- *Internal Audit and Accounting:* adopting and implementation of International Financial Reporting Standards; central bank audit function;
- *Corporate Governance:* devising structures for central banks and the commercial banking sector;
- *Financial Inclusion:* promoting access to credit for underserved populations;
- *Emerging Payment Systems:* establishment of regulatory frameworks for mobile financial services and innovative approaches to financial market access;
- *IT Systems Modernization:* design and implementation of core banking, retail payment, and data systems;
- *Monetary Policy:* analysis of monetary, macroeconomic, and financial policy; currency issuance and revaluation; establishment of monetary policy research departments.

The **Economic Crimes Team (ECT)** supports the establishment of institutions and regimes to combat economic crimes, including money laundering and terrorist financing. As reflected in the illustration below, this broad mission and corresponding systemic approach to technical assistance entails building working relationships with a cross-section of counterpart stakeholders. ECT partners with foreign counterpart regulatory, analytical, law enforcement and judicial authorities tasked in their country with ensuring a safe, sound and transparent financial system; targeting transnational criminal organizations and networks, including their illicit proceeds; and upholding the rule of law.

AML / CFT Regime Development



The ECT supports security sector technical assistance in these functional areas:

- assessments and evaluations;
- financial intelligence unit (FIU) operations;
- border security operations and export control;
- local, regional and national police operations;
- prosecution and judicial functions;
- counter terrorist financing; and
- financial and non-financial (including Designated Non-Financial Businesses and Professions (DNFBPs)) institution regulation and supervision.

Office of Technical Assistance Contact Information

Larry McDonald
Deputy Assistant Secretary, Technical Assistance Policy
202-622-5504
Larry.Mcdonald@treasury.gov

Jason Orlando
Director, Office of Technical Assistance
202-622-5792
jorlando@ota.treas.gov

Paul A. Leonovich
Associate Director, Banking & Financial Services
202-622-2451
pleonovich@ota.treas.gov

Michael Ablowich
Associate Director, Budget and Financial Accountability
202-927-0668
mabolowich@ota.treas.gov

Erin Schenck
Associate Director, Economic Crimes
202-622-8240
eschenck@ota.treas.gov

Debra von Koch
Associate Director, Government Debt and Infrastructure Finance
202-622-1535
dvonkoch@ota.treas.gov

William Remington
Associate Director, Revenue Policy and Administration
202-622-5789
wremington@ota.treas.gov

Treasury's Technical Assistance Footprint

Europe and Eurasia
Georgia
Kosovo
Moldova
Ukraine

Asia
Burma
Cambodia
Indonesia
Mongolia
Philippines
Vietnam

Middle East and North Africa
Iraq
Palestinian Authority

The Americas
Colombia
Costa Rica
Dominica
Dominican Republic
El Salvador
Grenada
Guatemala
Guyana
Haiti
Honduras
Jamaica
Paraguay
Peru
Saint Lucia
Saint Vincent and The Grenadines
Suriname
Trinidad & Tobago
Uruguay

Sub-Saharan Africa
Angola
Burundi
Djibouti
Ghana
Guinea
Kenya
Lesotho
Liberia
Malawi
Nigeria
Rwanda
Senegal
Tanzania
Uganda
Zambia

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http://go.usa.gov/wyAB