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DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

March 27, 2014

FOIA Request No. 13-10-082

This is in response to your Freedom of Information Act request, received October 17, 2013, seeking digital/electronic copies of each issue of the OTA Advisor Newsletr. On February 26, 2014, you agreed to narrow your request to *exclude* the personal sections of the OTA Advisor Newsletters.

The OTA Advisor Newsletters are being released to you with personal sections being withheld under exemption (b)(6). Exemption (b)(6) protects information about individuals in "personnel and medical files and similar files" when the disclosure of such information "would constitute a clearly unwarranted invasion of personal privacy."

No fees were incurred in processing your request.

Sincerely,

Thomas Funkhouser  
Deputy Senior Director  
Business Operations  
International Affairs

Attachment (13)

# OTA Helping Haiti Rebuild

OTA is discussing potential avenues of assistance with the Haitian Government as the country strives to regain its financial footing following the devastating January 12 earthquake.

An advance team of Banking Advisor JJ Deschamps and Debt Advisor Jeanine Corvetto entered Haiti from the neighboring Dominican Republic Jan. 27 to Feb. 3 to assess the banking infrastructure as well as the ability of the Ministry of Finance to carry out its functions.

According to their findings, the banking system is working surprisingly well as people are able to access their cash holdings without much disruption. The Ministry of Finance is conducting basic functions despite significant losses in personnel and the destruction of its main building.

Before the quake, OTA had two projects in Haiti, with the Economic Crimes team working with the Financial Intelligence Unit and the

Revenue Program assisting the tax administration on collecting past due debts and improving their ability to audit banking, insurance, and construction companies.

Out of nearly two dozen government buildings, only the Ministry of Youth and Sport appeared to have escaped major damage, with the rest either flattened or severely damaged, according to a joint US-Haitian survey team.

The tax administration did not escape the destruction visited on the rest of the city and government. Its building collapsed, and the Director General and the heads of operations, IT, and internal controls perished while OTA Revenue's main counterpart, the Deputy Director General, survived with a broken ankle.



▲ The destroyed tax administration building in Port Au Prince.

Efforts now center on recovering computer servers with critical data not only on taxes but also on property registration. Future technical assistance needs center on insurance industry regulation, a potential recovery fund for small enterprises, and a treasury bond auction that was originally scheduled for September 2010. □

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## Financial Crisis Response Prepared

CONGRESS has allocated to OTA a \$9.1 mln slice of a quarter-billion dollar aid package to help foreign countries navigate their way through the financial crisis.

The emphasis is on the creation of measures that will have the greatest impact in the short term. Congress has designated as priorities several countries, including Indonesia, Liberia, Mongolia, and Tanzania,

based on their reputation for good governance, severity of impact of the financial crisis on them, and their level of Gross National Income. In addition to these countries, OTA is coordinating with USAID to deliver technical assistance to Rwanda, Thailand, Mozambique, Kenya, Vietnam, Moldova, Nigeria, Lesotho, Malawi, Jamaica and Burkina Faso. □

### Links of Interest

Deputy Assistant Secretary Larry McDonald's article on the need for financial infrastructure to support good governance in Afghanistan and Pakistan in *The Hill*  
<http://thehill.com/opinion/op-ed/73245-afghanistan-pakistan-and-good-governance>

Secretary of State Hillary Clinton's Address on "Development in the 21st Century" at the Center for Global Development, in which she discusses the link between foreign aid and U.S. security.  
<http://www.cgdev.org/content/article/detail/1423520/>



## Mike's Musings

From OTA Director Michael Ruffner:

THE LOW point was January 19. 9:45am to be precise. Special Advisor Jason Orlando bounded into my office asking what OTA wanted to do in Sudan.

After dealing with the aftermath of the Kabul attack, the beginnings of Haiti assistance, planning for a ramp up in Pakistan and some nagging Iraq issues, I was in no mood for more difficult placements.

"Out!" I yelled. "I'll take that as a 'we're overstretched,'" said Jason.

If plans play out, work in these

four countries will represent more than half our funding and effort. To say we are in flux is an understatement. The good news is that the Treasury management team is supportive, the Hill generally likes us, and outside observers appreciate the importance of our work. The downside is that strong Administration priorities leave us only modest influence on the main directions of our program.

What remains under our control, however, is our internal management and program execution. Sound program management

is virtually invisible, and must be supported by close stewardship of resources. We will be revamping our financial management system and internal processes including the third rail of OTA – travel. We are raising the priority of using our discretionary resources effectively and efficiently. We all recognize that the core strength of OTA is that we have the best advisors in the world. That we must preserve. We need to match their excellence with a support system that is worthy of their efforts. I look forward to discussing your viewpoints in San Francisco. □

## 2010 is Year of New Challenges

From Deputy Assistant Secretary Larry McDonald:

A LITTLE over a month into the New Year, already it seems that 2010 will be a year of new developments. OTA is on the verge of major new engagements in Afghanistan, Pakistan and Haiti. We have finally received funding that will allow us to assist countries affected by the finan-

cial crisis. I foresee an expansion of work in new areas, such as infrastructure finance and access to finance, while strengthening engagements in our five core disciplines. An array of inefficiencies and obstacles in seeking resources beyond our mainstay direct appropriation (known as TIATA, Treasury International Affairs Technical Assistance) convinces me that we should pursue

a different strategy with respect to funding in the future. Personally, I will be spending much more time on Afghanistan having been assigned responsibilities as DAS for a recently created office/deputate in Treasury International Affairs, in addition to my duties as DAS for Technical Assistance Policy. You may be certain, however, of my full and committed support to OTA. □

## Photo Submissions Sought



▲ Horsemen play the national Afghan sport of Buzkashi in this photo by advisor William Cotter.

OTA is dressing up its wall space in D.C. We are seeking photographs from countries where we currently have or have had projects. See the accompanying photos for examples. Any subject matter, such as landscapes or cultural scenes, are welcome. Photos need to be digital and able to be enlarged to 16" X 20" without loss of detail and quality. Photos and captions will be mounted and displayed on the walls of the office.

To send photos or to request additional details, contact Mike Burr at: [maburr@ota.treas.gov](mailto:maburr@ota.treas.gov)



▲ Ha Long Bay in Vietnam as seen in this photo by Banking Associate Director Paul Leonovich.



## OTA Deploys Program Officers to the Field

OTA IS deploying a pair of Program Officers to Afghanistan and Iraq to provide logistical and coordinating services for advisors.

Tiffany Marlowe of the Banking Team has been in Kabul since last summer, while John Burg of the Economic Crimes Team is headed for Baghdad in April. Both will serve one year stints.

With numerous advisors preparing to surge to Afghanistan and Iraq, support needs are vast. A great deal of time needs to be spent on communica-



▲ Tiffany Marlowe (r) in Kabul

tion and coordination with OTA headquarters, the rest of Treasury, and other US and international agencies.

In addition, there are extensive security and administrative procedures in place to move advisors into and around the country. Without the Program Officers, advisors would need to take time off from their advisory duties to help

out on these issues.

Tiffany and John will work and live on the US Embassy compounds. The Treasury offices will also be staffed by an attaché and a deputy attaché.



▲ John Burg in pre-deployment training

This is not the first time a Program Officer has been deployed overseas. In 2006, Aine Shiozaki went to Malawi for three months to help start up a

Millennium Challenge Corporation-funded Threshold Country Program involving all five teams. □

## Conference 2010—Celebrating 20 Years

PLANS are proceeding apace for OTA's program-wide conference at the Intercontinental Mark Hopkins Hotel in San Francisco, March 22-26.

Invitations have already been sent out by the teams. Participants are reminded to fill out and provide a tax exemption form to the hotel, as taxes will not be reimbursed.

The first day and half of the last day will be spent in plenary sessions. Topics include:

- Panel discussion of former Directors on the subject of "OTA: Yesterday, Today, and Tomorrow" as the organization is celebrating its 20th anniversary this year.

- Panel discussion of "Advisors and Counterparts."

- State of OTA address by Director Ruffner covering budget, travel policies and issues, etc.

- Peer Review of OTA's effectiveness by an Australian Treasury team.

The final session will be conducted by Ruffner and McDonald on the subject of "OTA: Looking Ahead."

The majority of the time (two and a half days) will be filled with team-specific meetings. Also, during this time:

- Associate Directors will visit each of the other teams for a session explaining what their team does.

- Deputy Assistant Secretary for Technical Assistance Larry McDonald and Ruffner will individually visit each team.

- Special advisors Mike Burr and Jason Orlando will make presentations on the Paris Declaration on Aid Effectiveness and what it means for OTA's work.

On Friday, March 26, most participants will leave for home while some will stay for small working group meetings. □

## Renewed Focus on Asia

TECHNICAL assistance to countries in Asia has expanded significantly in the past two years.

The Banking, Budget, Debt, Economic Crimes, and Revenue teams are all currently engaged in the Mekong Region (Cambodia, Laos, and Vietnam). The Banking team has begun a resident project in Mongolia, and will be opening a project in Thailand this year.

OTA has carried out work in the region for over ten years with projects in Thailand, Indonesia, Sri Lanka, and the Philippines. But the

recent growth from two to twelve projects signals a notable change for an organization that was created twenty years ago to focus on Eastern Europe.

In fact, program growth in Asia has been part of OTA's Strategic Plan that specifies "an approach that targets geographic regions and common financial or economic problems" as an organizational priority, and "depth of engagement and an integrated, multi-discipline approach" as a guiding plan for action. □

## Administrative Note – New Medex Rates

As of January 1, the rates for Medex coverage have increased as follows:

\$34.00 for 1-10 days  
\$3.40 each additional day  
\$78 Monthly  
\$310 Annually  
\$695 Annual Family

Iraq and Afghanistan  
\$350 Monthly  
\$1390 Annually

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# THE ADVISOR

Issue 2: April 2010 ♦ Newsletter of the Office of Technical Assistance

## Escaping the “Oil Curse”

### Technical Assistance to Improve Extractive Industry Governance

THE Office of Technical Assistance is positioned to play an active role in a U.S. effort to improve governance in countries that are on the cusp of receiving large amounts of oil or mineral revenue, but that also face challenges such as low governmental capacity and poor infrastructure.

In late February, Director Mike Ruffner traveled to Kampala, Uganda, to participate in an assessment mission organized by the State Department’s Energy Governance and Capacity Initiative (EGCI). Participants in the Initiative include the Commerce Department, Geological Survey, and Minerals and Mining Service, among others.

In the case of Uganda, significant amounts of oil, primarily in the Great Rift Valley near the border with the Democratic Republic of the Congo, have been known to exist for

nearly a century, but only in the 1980s was a serious effort made to explore and develop the oil fields. Oil is expected to start flowing this year or next, with full capacity being reached in 2015. At present, Uganda has a cadre of oil experts, but it appears that overall capacity to manage the tidal wave of money and contractors on the horizon remains low and very few people fully understand the complexity of the situation. Uganda is determined to refine the oil itself but faces an enormous list of challenges including corruption, lack of high quality infrastructure, exorbitant transportation costs, poor communication between partners, and an influx of squatters occupying the oil rich land.

An aid package prepared by EGCI includes a technical assistance component to be executed by OTA. In

the short-term, OTA will work with the Revenue Authority on tax collection and auditing oil companies. Down the road in 2012, OTA’s focus will shift to review of investment costs and exploration materials as well as assistance to the Central Bank and Ministry of Finance.

World wide attention is increasingly focused on issues related to extractive industries. Such wealth can distort economies, crowd out other industries that could provide longer term sustainable growth, and increase the scale of opportunities for corruption. EGCI and OTA will support countries in pursuing candidacy in the more well-known Extractive Industries Transparency Initiative. EITI Members pledge to follow high standards of transparency in handling financial flows from hydrocarbon and mineral wealth. □

## Assistant Secretary Lago Meets with OTA

DURING last month’s conference, OTA welcomed Assistant Secretary for International Markets and Development Marisa Lago to the Treasury technical assistance family. In addition to addressing the conference, AS Lago, whose portfolio includes OTA among other offices (see diagram), had an opportunity to meet with advisors and learn more about our work across the globe. With the confirmation of AS Lago and Assistant Secretary for International Finance Charles Collyns, the International Affairs senior management team is taking shape. In related news, Lael Brainard, Under Secretary-designate

for International Affairs, recently visited the OTA office for an all-hands meeting, a rare event involving such a high position. Brainard has been familiar with OTA since her own involvement in Eastern Europe in the 1990s. □



▲ Assistant Secretary Lago

### Treasury International Affairs structure

Secretary Timothy Geithner

Deputy Secretary Neal Wolin

Under Secretary (nominee Lael Brainard)



Assistant Secretary for International Markets and Development  
Marisa Lago

- OTA
- Energy and Environment
- Trade and Investment
- Investment Security/CFIUS
- Development
- International Bank Regulation

Assistant Secretary for International Finance  
Charles Collyns

- International Monetary Policy
- Asia
- Western Hemisphere
- Middle East & Africa
- Europe



## Thanks for a Great Conference

OTA Director Michael Ruffner provides a recap of the March 22-25 conference on the West Coast:

IT WAS great seeing everyone in San Francisco. I hope you enjoyed yourselves, renewed acquaintances and generally recharged your batteries. The coming quarter will be a busy and important time for OTA both here in DC and the field. We have a short but important To Do list following up on the conference. These projects will range from a reinvigorated look

at how to improve the security of advisors working in conflict zones, to more and better communication from the home office, to a survey of advisors on the state of OTA. As I mentioned in my remarks, we are going to try a slightly different approach to writing directives and guidelines to speed up the process.

We are kicking around several ideas to aid our strategic objectives including developing a consolidated view of where we are going in individual countries (which we are NOT call-



▲ From left, Senior Advisor Mike Burr and former OTA Directors Van Jorstad, Ged Smith, and Bob Banqué, and former Deputy Assistant Secretary for Technical Assistance Jim Fall.

ing a Country Assistance Strategy.) Building on an old Budget team informal guide, we are contemplating the creation of a "wiki" style handbook that will allow anyone to create entries in a guide for advisors, by advisors.

Also coming this quarter we will launch our Haiti engagement, as Congress is expected to approve additional

funding for our work as part of a larger aid package to the earthquake-ravaged nation. We will be on Capitol Hill to defend our \$38 million budget request for the next fiscal year and to lay the groundwork for a larger increase the following year. Wrapped into the budget process is an effort to improve our communications documents to better tell our story and advocate for our work. We will also launch the first stage of our financial systems overhaul with an eye to improving, automating and standardizing our business practices.

As always, please do not hesitate to drop me a line on how we can improve our program.(mruffner@ota.treas.gov) □

*My tentative travel plans: May – Papua New Guinea, East Timor (as part of the Energy Governance Initiative; see page 1), July – W. Africa including Burkina Faso (program review), September – Ghana, Sierra Leone*

## OTA On the Road with Secretary Geithner

Deputy Assistant Secretary Larry McDonald reports from New Delhi:

OTA is participating in Treasury Secretary Timothy Geithner's trip to India (April 7-8) to inaugurate the U.S.-India Economic and Financial Forum.

I am joined by GDIM's Debra Von Koch and Harry Tether for discussions about possible collaboration in the areas of debt management and infrastructure financing via Public Private Partnerships (PPPs). India foresees greater reliance on the PPP model as it seeks to double investment in infrastructure from 4.5 to 9 percent of GDP over the coming years. India is interested in learning about the US experience in funding infrastructure at the state and municipal level, while we will benefit from learning about their experience with PPPs.

In addition, I am meeting with Indian officials about a possible engagement to strengthen India's capacity to combat money laundering and terrorist financing. India is considering institutional changes in the anti-money laundering/counter-terrorist financing area, and is in the

midst of a bid to become a member of the Financial Action Task Force.

These engagements would entail a further strengthening of OTA's "footprint" in Asia, and in a country of strategic importance to the US Government and Treasury. □

### San Francisco Skyline

▲ Travel Specialist and conference organizer Sudeep Kumar shares with us one of his photos from San Francisco. Image © Different Wave Photography.





## Focus on Central America

WITH 15 projects representing over a quarter of our annual direct budget, OTA is making a significant investment in technical assistance and capacity building in the countries of Central America. Our work in the region has expanded significantly in recent years, with current projects in Costa Rica, El Salvador, and Guatemala. We are also resuming our multi-team engagement in Honduras following the resolution of the political crisis there.

In addition to our traditional focus on developing government debt markets, strengthening revenue administration, and improving budget management, we are also working

with several Central American countries on special initiatives. The Banking Team's Latin America and Caribbean Financial Inclusion Initiative, based in Guatemala, is working with counterpart governments in the region to promote small business lending through financial regulatory reform. Costa Rica has been host to the first project of the Government Debt Team's new Infrastructure Finance Team, which encourages infrastructure development through public-private partnerships and other financing arrangements. The Economic Crimes Team is building the capacity of governments to combat economic crimes and regulate

their gaming sectors, and has new resident projects planned for Costa Rica, Guatemala, El Salvador, and Honduras.

As in Asia, our "ramp up" in Central America is part of OTA's strategic plan to provide assistance using an integrated and multi-discipline approach that focuses on geographic regions and common problems. We also recognize the ongoing efforts by the countries of Central America to strengthen regional integration and we will continue to seek creative ways to partner with the Central America Finance Ministers Council - also known as COSEFIN - and other regional organizations. □

## OTA Represented at Military's Africa Command

THE US Africa Command (AFRICOM) was established in February 2007, the culmination of a 10-year process within the Department of Defense (DoD) acknowledging the emerging strategic importance of Africa.

The designers of U.S. Africa Command clearly understood the relationships between security, development, diplomacy and prosperity in Africa. As a result, U.S. Africa Command reflects a much more integrated staff structure, one that includes significant management and staff representation by the Department of State, U.S. Agency for International Development (USAID), and other agencies. The command also will seek to incorporate partner nations and humanitarian or-

ganizations, from Africa and elsewhere, to work alongside the U.S. staff on common approaches.

Treasury was the first Cabinet level partner to send representation to AFRICOM. OTA former Associate Director for Financial Enforcement, Jane Antonovich, moved to Germany at the end of 2007 and was then quickly followed by two more Treasury staff from the Office of Terrorist Financing and Intelligence. The two year assignment was marked with several instances of huge success in integrating Treasury equities with DoD, and a general frustration in not being able to do more in a systematic manner.

Most of the effort with AFRICOM was in training staff on exactly what

Treasury does. Most of the military know that Treasury collects the taxes and prints the money, but have no idea of its involvement in financial sector development and regulation. Unfortunately, military personnel are transferred in and out on a regular basis, so the process of education was on-going.

Joint projects included anti-money laundering training with Cape Verde investigators and the construction of a Customs building in Sao Tome to complement OTA's project with the Millennium Challenge Corp.

Jane returned to OTA Washington at the end of 2009 but continues as representative to AFRICOM, while the other two Treasury staff remain at AFRICOM. □

## Administrative Notes

### Govtrip 2.0 on the Way

Govtrip developer Northrop Grumman is working on an overhauled version to address the most frequent complaints regarding usability and navigation.

The new system will debut on June 14. According to the Treasury office that administers Govtrip, the new initiative will "re-engineer the GovTrip experience from the ground up. The

goal is to design a more intuitive and user-friendly system. Some of the elements the redesign will focus on are improving document navigation ... adding help links, eliminating the numerous pop-up windows, and improving system speed and time-out problems."

### Medical and Security Clearances

The Human Resources Department reminds us that before advisors can sign new contracts or contract options, they

must have medical and security clearances.

State Department medical clearances are valid for 2 years, and advisors are responsible for keeping their medical clearances current. Security clearances are valid for 10 years and will be monitored and updated at OTA headquarters. If you have any questions, please contact Tommie Gray ([tgray@ota.treas.gov](mailto:tgray@ota.treas.gov)).

# Foreign Aid Reform

By Senior Advisor Mike Burr

THE Administration, Congress, and think tanks are all exploring significant changes that should be made in U.S. foreign assistance.

The President's open government initiatives have been extended to include financial transparency in foreign assistance by the U.S., its donor partners, and counterpart countries.

The State Department and USAID are putting proposals on the table that are intended to strengthen their capabilities. Foreign assistance (both dollars and TA) has been endorsed as a co-equal partner in what is billed as the three D's: Diplomacy, Defense, and Development. The Senate has introduced a bill under the

title – Foreign Assistance Revitalization and Accountability Act of 2009. The bill addresses strengthening the capacity, transparency, and accountability of U.S. foreign assistance programs. It focuses on strengthening analytical capacity and includes references to both USAID and other USG entities, and implementing partners.

Staff in D.C. regularly comments on papers, proposals and queries and attends Treasury and inter-agency meetings that cover the Paris Declaration, the International Aid Transparency Initiative, and proposals for pilot projects designed to test new approaches for achieving more robust results. Language for the rationale of foreign assistance speaks to the "national interests of the

United States to promote global development, good governance, and the reduction of poverty and hunger." The subject of measuring results is a constant theme in the background, usually under the rubric of "program impacts" and "evidence-based data."

Treasury is among the leading agencies in the foreign assistance reform discussions. As a result, OTA is well-placed to react and comment on these issues. Most suggested change is consistent with the principles and practice we have exercised throughout our history. As discussion on foreign assistance policy and strategy continue we should keep in mind that the reputation we enjoy is a direct result of the consistently strong performance of our advisors in the field – that is what built OTA, and what will sustain it. □

## Photo of the Month

▲ Independence Day in Kosovo is celebrated in the central square in Pristina, February 17, 2010. Photo taken by Debt Team Advisor Anne Schwartz.



OTA is collecting photographs from countries where we have or have had projects for use in decorating our office hallways and for use in the newsletter and other publications. To send photos or to request additional details, contact Mike Burr at: [maburr@ota.treas.gov](mailto:maburr@ota.treas.gov)

## Pakistan Deployment Discussed

IN response to a request from the Government of Pakistan and the US Embassy, OTA has put forward a proposal to place six resident advisors in Islamabad and Karachi.

Two advisors would each come from the Revenue, Debt, and Economic Crimes Teams. According to initial plans, the advisors would work with the Finance Ministry, Federal Revenue Board, Federal Investigative Agency,

and the State Bank.

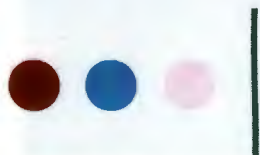
OTA is working with the Embassy and USAID to clarify funding requirements and to develop a plan that balances security considerations and the need for access to counterparts. OTA has recruited advisor candidates and is continuing discussions with counterparts regarding their assistance requirements.

OTA provided short-term assistance in 2007 to support the State Bank

of Pakistan's efforts to implement Basel II banking regulations. That project made good progress but was interrupted for an extended period in early 2008 due to security concerns in Karachi. Similarly, OTA has provided short-term assistance off and on to the Central Bank's Financial Management/Intelligence Unit. In late 2009, the security environment, while still fragile, had improved to the point where sustained OTA assistance would be possible. □



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# THE ADVISOR

Issue 3: July 2010 ♦ Newsletter of the Office of Technical Assistance

## Helping Microfinance Grow Up

### Burgeoning Industry Needs Support and Regulation

THE images we have of microfinance are indelible – a Colombian coffee farmer seeking a few hundred dollars for this season's fertilizer or a Guatemalan basket weaver needing a bridge of just \$50 for another bundle of dyed reeds.

Microfinance is still that, but it is growing beyond its small scale roots. The sums involved are getting larger, and success requires new sources of capital. And while the larger international microfinance organizations are generally run as non-profits, the same does not necessarily apply to domestic organizations.

#### Three big challenges

Within this field, some of the broad challenges that the OTA Banking Team is helping address include:

- How to adapt existing bank regulations to ensure that they do not discourage banks from reaching down to the micro entrepreneur (the *down-scaling* challenge).

- How to ensure that successful microfinance institutions are able to transform into regulated ones after they reach a certain size or start mobilizing deposits from the public (the *upscaling* challenge). What disclosure and reporting requirements should apply, and how should they be examined by regulators?



▲ OTA officials Larry McDonald and Irene Philippi discuss a microfinance initiative with a women's cooperative in Milpas Altas, Guatemala, in June.

- How to fill the regulatory void created by the existence of a large and diverse population of non-governmental organizations (NGOs) and microfinance institutions that are too small to be regulated under the supervisory regime applicable to larger financial institutions, but still pose potential challenges tied to the absence of minimum corporate governance standards, or the lack of financial and managerial transparency.

#### From microfinance to financial inclusion

While microfinance is the more well-known term, the goal ahead may be better defined as financial inclusion – the process of providing financial services in a convenient and affordable manner to individuals with no previ-

ous access to such services.

Irene Philippi, who joined the Banking Team last year, was assigned in late 2009 to the central bank of Guatemala to become the first resident advisor under OTA's Latin America and Caribbean Financial Inclusion Initiative (LACFII). She and regional advisor J.J. Deschamps have also been carrying out related work in El Salvador, the Dominican Republic, Jamaica and other countries.

#### Partnering with Peru

Given the remarkable successes achieved by Peru in addressing the sector's

challenges—such as seeing banks merge with microfinance institutions to create more vertically integrated entities—the OTA team partnered last year with Peru's Superintendency of Banks to jointly provide advice to other countries in the region. The Dominican Republic and Guatemala are two countries that have already benefited first hand from Peru's experience.

Most governments with which OTA is working take a positive view of microfinance due to its salutary effect on employment and in channeling resources to impoverished areas. Given the early successes of LACFII and the rapidly growing demand for the services it offers, the Banking Team is now considering an expansion of the program to other continents. □



# 2011 Budget Prospects Perk Up

HAD I written this column a few weeks ago, the tenor would have been much different. Deficit reduction is now sweeping Washington and everyone has been told to get ready to cut back. Of course, politically foreign assistance is an easy place to look for savings. I expected that everyone would get less and maybe even an across-the-board cut.

In fact the House, which called for flat funding for OTA in previous (less constrained) budgets, supported a \$3 million increase over FY2010. While far from the \$38 million we requested, in this environment, \$28 million — a 10% increase — is quite amazing. (This refers to our main appropriation which is dubbed TIATA or Treasury International Affairs Technical Assistance.)

Very few programs escaped the budget ax. The rest of Treasury's foreign assis-

tance act programs including new food security initiatives, capital increases for some of the development banks and environment programs, all took disproportionate cuts. MCC, USAID, and many State programs were cut as well.

We still have a long way to go and the Senate has yet to act. There is a strong threat that Congress won't be able to agree at all on budget numbers and that we will have yet another Continuing Resolution (CR) for the entire year. A CR means flat funding for OTA. Nevertheless, we are off to a good start with the House. When briefing the Hill, one of our officials led off with a discussion of OTA. The response from the Congressional staffer was "Yes we know all about OTA. They do good work."

Advisors are our best advertisement and we've had a couple of briefings on the Hill that have gone extremely well. Please

let me know if you are going to be in town and are interested in doing a briefing for Congressional staff. We are also working to have Hill delegations go out on a Treasury specific trip (involving OTA and other Treasury programs) later this summer and fall.

Of course our program cannot live on \$28 million in TIATA alone and while we continue to ask for substantially more TIATA funding, I just don't think it is in the cards.

We continue to pursue other funding leads with MCC, State Department and elsewhere. I just returned from a trip with the Energy Governance Capacity Initiative which could turn into a substantial program by FY 2012. Of course, as is the nature of many potential windfalls, it could evaporate.

>>Director Mike Ruffner may be reached at [mruffner@ota.treas.gov](mailto:mruffner@ota.treas.gov) □

## Photos of the Month



► The 16th century bridge in Mostar, Bosnia, which was destroyed in the war in 1993 and rebuilt in 2004. Photo by Revenue Advisor Stephen Mongelluzzo.

◄ Economic Crimes Advisor Susan Berger discussed OTA's anti-money laundering and anti-fraud work in Jordan with Queen Noor at a local event.



## Overview of Sub-Saharan African Projects

THE OFFICE of Technical Assistance has been at the forefront of renewed US attention to the strategic importance of Sub-Saharan Africa.

At present, OTA conducts 30 projects for 20 Sub-Saharan governments. OTA recently began projects in two of the largest countries on the continent, Angola and Nigeria.

In Luanda, Advisor Patricia Bacchi is assisting in developing governmental capacity in debt market management. In Abuja, Revenue Program intermittent advisors are assisting the tax administration audit and training departments and providing advice on transition and change management.

For its part, the Debt Team wrapped up a seven-year

engagement in Nigeria in 2008.

A strong OTA presence in Ghana has been built up in recent years. OTA is providing assistance in implementing a financial management information system, as well as in debt market management, public sector accounting standards, and the regulatory and law enforcement infrastructure related to the creation of a financial intelligence unit.

Lesotho has also proven to be a strong, reform-minded partner, successfully working with OTA in diverse areas such as financial intelligence, tax administration, budget formulation and execution, bank supervision and deposit insurance.

On the continent, a key issue for the Budget Team is helping countries improve their cash management so that they have the right money in the right place at the right time to meet government obligations in the most cost effective way. The Economic Crimes Team is heavily involved in the creation of Financial Intelligence Units and related anti-money laundering and counter-terrorism financing issues.

The Debt Team has a substantial presence in the East African Community (Kenya, Tanzania, Uganda, Rwanda, Burundi) and as of September, will have three resident advisors to cover debt management and debt market development issues in that region. □



## OTA Brokers Afghan Provincial Visit

OTA advisors joined a multilateral effort to support a rare visit of Afghan government finance officials to meet their provincial counterparts in Kandahar July 7.

This meeting was part of the Finance Ministry's efforts to jumpstart its provincial professional development program and improve connections between the center and provincial administrations. Kandahar was among the first chosen as a symbol of the Ministry's commitment to strengthen its relations with regional officials, even in one of the most tumultuous areas of the country.

This delegation to Kandahar was the first in several years, thanks to the assistance provided by USAID, State Department, and the U.K. military, which arranged transportation for the OTA and International Security Assistance Force Joint Command advisors to Kandahar City. Afghan representatives

from Kabul included the Directors General of Treasury and Internal Audit, and an official from the Budget Department of the Ministry of Finance.



▲OTA advisors and Afghan officials meet in Kandahar July 7.

Local officials included representatives from the provincial directorates of key line ministries, a representative from the Provincial Council, and district governors.

The Afghan officials engaged in a five-hour marathon discussion of local concerns and issues. The Director General (Treasury) was able to resolve a salary disbursement problem virtually on-the-spot. The Director of Education stated that teachers were having problems cashing their checks at the local Kabul Bank branch since it was swamped by police department employees on paydays. The Director General immediately phoned the Kabul Bank to see what he could do, resulting in a commitment by Kabul Bank to provide cashier services in the Education Building. One USAID advisor assigned to Kandahar commented that this event was the first indication of "true governance" he had witnessed

in Afghanistan.

This visit was also an opportunity to strengthen the trust relationship between Ministry of Finance and OTA counterparts. □

### Administrative Notes

#### Wiki-Handbook

As a result of feedback from the field, OTA will launch in August an unofficial advisor "wiki-style" handbook on the OTA website. The handbook will be a platform for advisors to share useful information with each other on a range of topics such as preparing for deployment, hiring an assistant, and how to get

traction with counterparts.

Advisors will be able to log onto the OTA website with a designated username and password to search by country, team, or topic and also to post information or upload documents and photos. Content will be moderated by OTA staff.

Suggestions may be directed to A i n e S h i o z a k i ([ashiozaki@ota.treas.gov](mailto:ashiozaki@ota.treas.gov)) or Daniel Coyne ([dcoyne@ota.treas.gov](mailto:dcoyne@ota.treas.gov)).

#### Security Clearances

OTA is in the process of ensuring that security clearances for advisors are up to date. In addition, procedures have been outlined for sending documentation of clearances to US embassies in connection with resident or TDY assignments. On these issues, the Treasury security office will only communicate with advisors through [otatreas.us](mailto:otatreas.us) email addresses, so please check them frequently.

## Sequel to Counterpart Survey Planned

IN 2008, at the prompting of field advisors, OTA conducted a fairly comprehensive survey of counterparts to provide feedback on the quality of our work.

Particularly now that we have a baseline of reaction, we intend to continue these surveys.

We are requesting that advisors provide us with the names of knowledgeable, candid counterparts, em-

bassy contacts, or professional peers from other organizations, who are familiar with our projects. Past experience has shown that the response rate improves if the source receives the survey directly from the advisor.

We'd like to get about fifty surveys in before the end of the fiscal year. Send a short note to Mike Burr ([maburr@ota.treas.gov](mailto:maburr@ota.treas.gov)) with a name or a question. We have the survey docu-

ment available in five languages and can expand that number if necessary.

Notable findings may be used in our Report to Congress, and in response to requests for information about our performance from main Treasury, the Office of Management and Budget, and others in the Administration. □



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## The Deal Makers

### Bolstering Public-Private Partnerships to Fund Infrastructure

WITH a projected budget deficit of 5% and extensive infrastructure needs, Costa Rica is an ideal customer for the familiar but now revitalized idea of creating Public-Private Partnerships to finance and build infrastructure which is critical for economic development.

In partnership with the Chilean Government, OTA's Government Debt Issuance and Management Program (GDIM) is assisting Costa Rica in developing its capacity to manage the complex aspects of developing a legal framework for concessions, prioritizing projects, designing tenders, selecting concessionaires, and managing oversight of the long term contracts.

Through its Ministry of Public Works and International Cooperation Agency, Chile has been one of the leaders in the PPP field in the past 20 years. They have been through the learning curve, and therefore have much experience to offer as a complement to OTA's assistance.

In addition to working in Costa Rica with Chilean partners, GDIM's Infrastructure Finance Team has a presence in Kenya and India.

#### Benefits of a BOT

Properly executed, a PPP (also known as Build-Operate-Transfer scheme, BOT, or a variation thereof) shifts more of the risk of a project to the private sector, and creates incentives for on-time construction that is



▲An example of Costa Rica's infrastructure in the Orosi Valley near San Jose. Photo by Jason Orlando.

built to a high standard as the concession will need to be maintained over a 25-30 year period. In the current budget environment, the advantage of a PPP being able to deliver its own financing also becomes increasingly clear.

#### Capacity Building

In the longer term, the Infrastructure Finance Team is working to build capacity in concession agencies and infrastructure ministries so that they are better equipped to handle the complex tasks inherent in any construction project that can be worth billions of dollars. Led by Advisors Harry Tether and Steven Hochman working in Latin America, and Robert Parra in Kenya, OTA helps them define their organizational structure, create employee profiles,

and design competitive compensation ranges. Concession agencies also need to know how to hire, fund, and manage outside consultants as it's simply not possible for a complete range of expertise to be in-house.

#### Interacting with India

The high-level U.S.-India Economic & Financial Partnership led by Treasury also features a PPP working group. In that capacity, GDIM is addressing critical topics such as instruments for raising long-term funds, models that increase success with PPPs, and

facilitating contacts with academics at Stanford and Harvard to explore the potential for training of federal- and state-level Indian officials.

As projects are designed, OTA provides independent feedback – essentially a reality check – on key elements such as the scale and timetable, cost estimates, and revenue projections. This information needs to be calculated precisely as it is essential for attracting multiple bidders at the outset, and for ensuring a viable project going forward. In the negotiation process, OTA also can provide good offices to broker better communication between concessionaires and government. Oftentimes relations between the two sides are impacted by politics and miscommunication, and OTA can help them get back on track. □



# New (Fiscal) Year Resolution

From the Director:

Greetings from Fiscal Year 2011. The last fiscal year was a record breaker for us – we received \$63.8 million in funding. Congratulations to all for helping to put this money into action and bringing about positive results.

Looking forward to the rest of the fiscal year, we have a number of high level corporate goals. We will not achieve the same level of funding this year (last year's funding was boosted by one-off projects, for instance), but we are always looking to grow the program in a way that makes sense. As a support to that program-growth goal, we have a number of ambitious management goals.

First and most important is that we

will replace our internal financial system. And within the replacement of the system, we will be undertaking a review and improvement of our business processes: HR, contracting, travel. Everything. This will be a time consuming task, mostly for the DC office, but it is critical for our next decade of operations.

Our second goal is to have a complete set of directives and where appropriate a set of written procedures and instructions.

The third goal, a more conceptual goal, is to create a "cost-conscious OTA." By this I mean that OTA has better knowledge and control of its costs. The goal isn't necessarily to save money or pinch pennies, but to be

able to show that we have proper oversight and that we effectively deploy our resources. I've explained this as moving from "I think we do a good job" to "I know we do a good job."

Finally, we must better use our personnel. If we achieve the three goals above, we should free up time and money to have a more effective support group in DC and more resources to deploy advisors in the field.

Achieving these goals is critical to building the operation that we need. Achieving the goals will enable those who have funding control over us to have confidence in our management of the program. Achieving the goals will enable us to practice what we preach.

—Mike

## Wishes for Thanksgiving

From the Deputy Assistant Secretary: I'VE come to think of this column in The Advisor less as an article, *per se*, and more an opportunity to write an occasional letter to OTA. This time, in this Thanksgiving week, I would like to express my gratitude to everyone in OTA – Washington staff, advisors and Metrica colleagues. If this seems a bit sentimental, I confess to feeling a little more sentimental than usual these days. I think this is due, in part, to the fact that we recently lost a member of the OTA family, Joe Yager, and had a close call with a second, Mark Cox. I'm sure all of our sympathies go to Joe's family, and our best wishes for a full and speedy recovery to Mark. (A

tribute to Joe is on the last page of the newsletter.)

I also find myself feeling more pre-occupied than usual about the safety and well-being of OTA personnel serving in high-risk countries, and feeling that the list of such countries keeps getting longer. While all of advisors confront risk, those serving in places like Afghanistan, Iraq, Pakistan, Lebanon, Haiti, Mexico and Guatemala (an illustrative list) are especially exposed. I thank them and their families for their commitment and sacrifice. OTA management in collaboration with Metrica will do everything possible to ensure our advisors' safety. If there is

more that we can and should be doing let us know.

I'd also like to thank Jane Antonovich who is retiring this week after 34 years of service to the U.S. government, including 17 years with OTA. As a former Associate Director for the Economic Crimes team and a former AD for Operations, Jane is truly a "founding mother" and an architect of our program. I'm pleased that, at least for a while, and in between trips with her husband to Vermont, South Carolina, Colorado and other locales, Jane will continue to collaborate with us on certain special projects.

—Larry

## Photo of the Month

► A traditional hollowed-out log raft off the coast of Bagamoyo, Tanzania. Photo by Economic Crimes Regional Advisor Jerry Rowe.





# OTA Ready to Move on Haiti

OTA is waiting for the final few puzzle pieces to fall into place before it can join the Haiti rebuilding efforts. Congress has appropriated \$7.1 million for our technical assistance work, and the US Embassy is finalizing solutions to housing and transportation issues.

OTA stands ready to support the Haitian Government in its quest for structural reorganization, modernized legislation and regulation, and more efficient administration in debt issuance and management, public budgeting, banking and insurance regulation, tax administration, and financial law enforcement.

Plans call for 4 advisors to be on the ground full time, supplemented by 14 advisors working on an intermittent basis to provide specialized experience.

## Budget

On the budgeting side, OTA will help clearly define roles and responsibilities with regard to the budget processes between the Ministry of Economy and Finance (MEF), the Ministry of Planning and External Cooperation (MPCE) and budget institutions. The goal is to increase the capacity of ministries to create budgets, as well as the architecture to link those budgets to a larger governmental planning and long term investment budgeting effort. In parallel, OTA will help stand up the treasury function, streamlining the government cash management, accounting, and budget execution duties.

## Debt Management

Haiti's Ministry of Economy recently issued its first Treasury bill worth approximately \$7.5 million, taking steps to prepare for an expected cash crunch



▲ Cite Soleil, Port Au Prince, Haiti. Photo by Mike Ruffner.

later in 2011 as emergency donor funds wind up. As the MEF dips into the market, OTA will provide strategic and technical advice to officials as they develop market-based means of public finance through the issuance of government securities, coordinate and rationalize their debt management functions, and develop a comprehensive debt management strategy with the goal of reducing risk and lowering the debt service burden.

## Banking and Insurance Regulation

In the financial sector, OTA will aim at filling a critical gap in the legal and regulatory framework for the insurance industry. Haiti's insurance in-

dustry comprises today a handful of small insurance companies operating with local capital and local know-how. It is largely undeveloped by international standards, and is essentially

unregulated and unsupervised, with even basic financial statements of insurance companies unavailable to the Ministry of Finance. OTA insurance advisors will provide critical assistance to the Ministry of Finance to establish a rational legal and regulatory framework for the sector.

## Tax Administration

The proposed technical assistance is designed around the tax administration's own strategic plan, which calls for documentation of optimal procedures for all tax administration

functions, strengthening of a nascent internal audit and anti-corruption unit, preparation for procurement of an integrated tax administration IT system, promotion of voluntary compliance, and improved capability in taxpayer audit.

## Financial Law Enforcement

This project has two distinct but complementary components: reforming the outdated Napoleonic-era Criminal Code and strengthening the capacity of financial crime analysts, investigators and prosecutors. Fresh impetus for supporting the work of law enforcement comes from the need to monitor the billions in aid and reconstruction that have started to flow into the country. □

## Administrative Notes

A few reminders: 1.) Make sure your medical evacuation coverage is current; 2) Update your emergency contact information if necessary and send to your Program Officer; 3) Review your medical insurance policy to ensure coverage is valid overseas.

As a year-end reminder, the program and operations staff in D.C. is always ready to help. Your team's Program Officer is the first and best point of contact for advisors, but the rest of the staff is also here to serve as best they can. We are ever aware that our mission is to enable advisors in the field to continue the success that has built OTA's reputation.



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# THE ADVISOR

Issue 5: April 2011 ♦ Newsletter of the Office of Technical Assistance

## Advisors Provide Financial Counsel for South Sudan

JUST TWO WEEKS after the people of South Sudan voted overwhelmingly for independence in mid-January, Banking Advisor Tom Simpson was in Juba to discuss currencies and central banking with the local leadership.

South Sudan's officials are racing to create the infrastructure of the new government as the July 9 formal declaration of independence comes into sight. Their agenda is ambitious and their opinions well developed. As Simpson saw it, his job was to lay out options and have a dialogue with the policymakers. The number one point Simpson sought to emphasize was the need for the central bank to be left to conduct its monetary policy independently.

Some parts of the Ministry of Finance want the central bank to be able to lend to the government and to also act as a development bank. In Simpson's view, the core mission of the central bank is to keep prices stable. With this accomplished, the government will be able to meet its other goals of economic development and raising the



▲ The Nile, near Juba. (Photo by Tom Simpson.)

standard of living. Simpson challenged the prevailing notion in Juba that some inflation is inevitable. Other countries that have enjoyed successful private-sector led development have fostered that outcome by holding down inflation.

Banking Advisor Peter Nicholl reinforced many of the same points during a workshop with South Sudanese officials in Zurich, and has provided comments on the draft central bank law, stressing the need to ensure

independence and accountability for the institution.

South Sudan is receiving significant assistance in public financial management. In addition to the Swiss central bank, USAID through Deloitte and more recently the IMF have been active. While this was his first visit to South Sudan, Simpson had been involved in international discussions on the needs of this new country for more than six months. As yet, no role has been clearly defined for OTA, though there is likely

to be plenty of technical assistance required. Simpson intends to connect South Sudanese officials with those who can help with the next steps, such as the US Federal Reserve. Simpson's visit came as a result of a request by Minister of Finance David Deng when meeting Treasury Assistant Secretary Marisa Lago last year.

Another point of discussion was South Sudan's desire to introduce its own currency to replace the Sudanese pound. Naturally, the currency is one of the main trappings of an independ-

(See pg 2 →)

## OTA Recognized by State Department Review

EARLIER this year OTA received recognition for its expertise and program design from two separate Department of State-sponsored reports.

In its Quadrennial Diplomacy and Development Review, the State Department named OTA as "one of the most powerful repositories of inter-agency expertise...offering host governments help in everything from drafting budget, tax, and oversight legislation, to undertaking vital, if sensitive, reforms in areas like central banking and increasing financial services for the poor."

The QDDR also speaks to State's

desire to collaborate more effectively and leverage the strengths of other agencies, including Treasury. We are working to understand how the goals and principles identified in the QDDR will play out in the field.

A second report, a State/USAID study, covered US Government agency understanding and implementation of the Paris Declaration, which is an international agreement to improve aid effectiveness. The case study on OTA began with a section titled "Issues with the OTA Approach" but followed it by stating: "The short answer is that there are no issues. Clear-

ly, the OTA assistance program is well aligned with most Paris Declaration principles—arguably as much so as any other donor program." Interviews were conducted with eight of our staff in DC and in the field. The report stated: "at both leadership and program levels...all eight were determined to be highly aware" of Paris Declaration principles. The principles include encouraging developing country "ownership" of aid programs, harmonization of planning among donor countries, and focusing on concrete, measurable results. □



## Business Process Review underway

YESTERDAY, OTA signed a contract with LMI, a DC based consultant company (yes their offices are on the Beltway), to help us redesign our business processes and lay out requirements for a new financial management system. The business process reengineering effort will form the largest and most visible manifestation of the OTA program goals I laid out in the last column of The Advisor.

The contract is laid out in two phases. Phase one starts next week and will focus on reviewing and redesigning nine of our key business process, redesigning our chart of accounts and identifying requirements for our new financial management system. We have laid out an ambitious and tight timeframe for phase one that envisions us wrapping up by the end of July. Phase two will commence in October and will focus on implementation of

the recommendations, including procurement of the new financial system.

The more effort we put into business process review, the better product we will receive. The review will touch on everyone in some way at OTA. We will be reaching out to advisors to gather information and views.

This leads to the obvious question, if one is confronted with working on the review versus working on "regular" work, what does one do? I've very clearly told staff I expect their full involvement in the review. Committing the time to the review - which will simultaneously address all 9 key business processes -- will inevitably lead to work taking longer, actions delayed and possibly issues falling through the cracks. This will require all of us to work harder and smarter, and plan better during the review period. Therefore, I beg the indulgence

*—from the Director*

and understanding of the entire OTA family for the bumps in the road that will occur over the next few months. The reward at the end of this process will be improved service, clearer rules and a more effective and flexible program that allows us to deal with the winds of change that are buffeting the program.

Of course, our work will only be beginning come July when the hard part of the implementation hits us. It is conceivable that our work will extend on for up to two years as we confront the inefficiencies, write the rules and processes and change the systems. We are not waiting for the review to take action. As I speak we are reviewing an existing set of USAID rules and procedures for PSC's that we hope to adopt more or less intact as our own rules. □

## South Sudan (from page 1)

ent state, and Juba is looking to implement it as soon as possible after the declaration of independence. However, Juba has come to appreciate that they must balance that desire with the need to avoid the serious risks of moving too hastily.

As far as how the central bank will manage the currency, there are a number of options. One is a fixed exchange rate with "partial cover" in which the

central bank holds foreign currency reserves that cover only a portion of local currency. This scenario requires the public to have confidence that public officials will manage their new currency well so that it will be worth something in the marketplace.

Another possible scenario is an adjustable peg, in which the fixed rate would be periodically adjusted based on well-specified public policy objectives. In contrast, a fully floating cur-

rency would require well-formulated policies by a central bank having more capacity than now exists in Juba, Simpson says.

On the positive side, Simpson witnessed broader participation in discussions regarding the new country's monetary and financial system. Key cabinet members and parliamentarians are now joining Ministry of Finance officials in the debate over various options. □

## Metrica Awarded 5-Year Contract

IN 2010, a significant effort was made in the re-competition of the logistics support contract. Following federal procurement guidelines, offers were solicited from a half dozen firms, of which two responded.

In mid-December, Metrica, Inc., of San Antonio, Texas, was awarded the follow-on contract to provide logistics support to OTA. Metrica has supported OTA since 1991.

Through its long partnership with OTA, Metrica has provided a wide range of logistical support services that help advisors when they are assigned to a new country and support them as they perform their duties.

The new contract will run for approximately five years. One of the new elements is a web-based management system that will track tasking requests and provide historical data to improve performance and response time to requests from advisors and teams. □

## Photo of the Month

► A weaver in Cusco, Peru.  
Photo by Debt Team Associate Director Debra von Koch.



## OTA Helps Build Cash Management Capacity

MANY developing countries suffer from decentralized control of their cash in which government agencies operate in separate 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, one agency may be borrowing to meet its disbursement needs while another agency holds a stockpile of cash that is often under invested. Cash Management is a Budget and Debt Team effort that enables governments to harness modern banking technology to monitor their financial needs and swiftly and efficiently concentrate and allocate funds to meet its 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.

As with many other OTA projects, the advisors are assisting in the creation and development of an oversight body which sets overall policy, upgrading the technical skills of administrative personnel, and ensuring policies and procedures are optimized and then documented.

An important aspect of this initiative is that it brings together a number of OTA's functional teams in both informal and formal ways. Improving cash management will lead to efficiencies in the management of public debt, while improving the capabilities of central banks' payment systems and banking regulations will create environments where counterparts 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 is critical to the execution of a government's budget.

**Michael Ablowich** from the Budget and Financial Accountability team, who is leading this initiative, said its strength is the opportunity to bring to counterparts a holistic approach with a variety of technical experts from a number of disciplines. The program has been providing services in Lesotho, Moldova and Ghana.

### Adopting New Banking Technology

Much of the cash management system is predicated on the adoption of modern banking technology, which is the best way to mobilize funds efficiently. Payments made by cash or checks are transformed into electronic payments wherever possible. OTA advisors assist in developing agreements between governments and central banks or commercial banks that detail service levels for banking services, as well as

tenders for procurement of banking services.

As part of its technical assistance game plan, the Budget Team will facilitate group workshops with key stakeholders to build consensus on the way forward, and develop an action plan to improve cash management. In many cases, assistance is required to break down the stovepipes between government bodies such as the tax administration and the ministry of finance, and improve data sharing.

### Creating Treasury Single Accounts

Effective cash management is associated with Treasury Single Accounts, in which the government maintains a single bank account (or a series of closely linked accounts) with various departments' financial operations maintained separately through accounting controls. In Ghana's case, in moving towards a TSA it shut down around 1,000 bank accounts, but still had many more thousand left to consolidate.

In the end, better cash management leads to improved budget planning, forecasting and execution, a healthier banking system and the development of a domestic securities market.

Counterparts are able to develop stronger financial planning techniques, cash forecasts and improved procedures and policies to upgrade their budget, debt and treasury operations. □

### Administrative Notes

**Contracting:** OTA's contracting staff recently moved from their central DC location to become part of the IRS contracting office in Oxon Hill, MD, as part of a Treasury streamlining effort. Both OTA and contracting staff are working to minimize potential disruptions, but delays in processing are possible with this changeover.

**Security:** All advisors are required to hold a security clearance. Treasury's

Security Office is going through the process of reinvestigations for security clearances. This is done roughly at the 10 year mark but can be done sooner. If Treasury's Security Office contacts an advisor to complete paperwork for the reinvestigation, the advisor needs to complete it quickly. If not, then the clearance will not be granted and the contract cannot be renewed.

**Long-Haul Travel:** With Director Ruffner's recent memo, OTA is no longer able to offer business class accommodations for long haul flights. As an alternative, for

trips over 14 hours, travelers may have a rest stop en route, or arrive at post a day early. In addition, where available a traveler may take premium economy seats or be reimbursed for a pass for use of a business class lounge. Advisors with travel-related medical issues will also soon go through a different process led by the Treasury Equal Employment Opportunity office aimed at meeting their special needs through various ways, which may or may not include business class. Details will follow when the process is ready.



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# THE ADVISOR

Issue 6: July 2011 ♦ Newsletter of the Office of Technical Assistance

## Hard Road To Ganta

### *Training Tax Managers in the Liberian Countryside*

**ADVISOR** Bob Warfield is in a battered red minivan banging and sputtering its way up country to help the Liberian tax administration meet its goal of providing basic training to every one of its managers.

It takes an hour to clear the chaos around the port in Monrovia, then there's about 75 miles of good road. After that it falls to pieces, "like someone carpet bombed it." A ten-gallon gas can in the back releases fresh fumes with every jolt.



▲ A street scene in Monrovia, Liberia. (photo by Steve Mongelluzzo)

#### Training the Trainers

After five hours, he is in Ganta on the Guinean border for the second of four weeklong courses to provide basic management training for front line and midlevel managers in the customs and tax administrations under the Department of Revenue (DoR). Checking into the guesthouse, he finds it is clean and pleasant but lacks electricity until the generator kicks in at 6:30 pm. Water for washing must be fetched from a pump outside.

Joining Warfield on the trip is his colleague Prosper Browne, who, according to the plan developed with the Liberians, was one of a group of select managers from a variety of departments chosen to receive instructor training in January. In the May-August

period, the instructors will co-teach courses with the OTA advisors and then begin delivering workshops on their own.

#### Investing in Human Resources

The DoR, as part of the Ministry of Finance, is investing heavily in recruiting and training of its workforce. About a third of the managers, in Warfield's estimation, are recent hires with significant private sector experience and foreign education. The Ministry seeks to be among the first agencies to implement good governance practices such as strategic planning and institutionalized anti-corruption measures such as a code of conduct.

The first training site in Ganta turned out to be a customs border of-

fice with no ventilation, a metal roof that turned deafening in the rain, and heavy truck traffic outside. Chairs were borrowed from a nearby elementary school. Conditions were impossible to conduct the course, so Warfield was able to secure a meeting room at a hotel.

Topics include communication skills, planning, decision making, administering meetings, mentoring subordinates and conflict management. The course makes heavy use of breakout groups, and case studies. In addition to manage-

ment training, a separate series of courses developed by Advisor Arthur Aron will focus on managerial techniques for collection of tax debts. Following trainings last year in Monrovia, Aron first co-taught a course in Bomi county, west of Monrovia, returning in July to the coastal town of Buchanan for another course. DoR instructors will conduct the final course in the western highlands of Lofa.

The class covers methods for collecting tax debts and securing unfiled returns. It also included management issues such as maintaining controls over work assignments, conducting case reviews, methods for selecting work for case reviews, and what to do after conducting case reviews. □



# Letter from the Director

GREETINGS from hot, humid Washington, DC. This time around I would like to discuss three recent developments which have us thinking about OTA and its effectiveness.

As was announced in the last edition of *The Advisor*, we've welcomed the new associate director for the economic crimes team, Carol Kelley. As is always the case, new blood means new perspectives and new goals. Carol has brought her many years of experience in the field to bear on the goals and direction of the ECT team. Among other things, she brings a renewed emphasis on developing anti-money laundering regimes from a systemic point of view.

At the same time, Bill Remington has changed the approach of how the Revenue team discusses its programs with counterparts, incorporating an explicit review of the traction and impact performance measures. He has also revamped his work plans to be more goal oriented. He found that previous work plans were often focused on what was possible but only loosely

aligned with long term outcome goals.

Finally, recent events occurring in other US assistance programs have called into question what reporting responsibilities advisors have in the course of their work. In other words, how do we create a climate of trust which underlines the fact that we are not intelligence agents, while providing the OTA program with information to adequately monitor progress.

These developments have prompted us to look at how we construct our projects, how we communicate OTA's goals and values to counterparts, and how advisors are simultaneously trusted consultants and Treasury officials. First, anyone who has heard me talk knows that I preach the need to take a systemic view – are we wasting our time in improving revenue collection if there is not effective aggregate control in the budget? We've taken steps to reduce the number of countries in favor of deepening our engagements. However, now OTA needs to develop

a strategic vision for the financial sector. We will be piloting some sort of country overview document in the near future. Building on Bill's experience, we are also looking at how we introduce the program and lay out not only what the partner country can expect from us, but what we expect from the country. In this will be a set of principles that we communicate and an explicit overview of how we will oversee the project and measure progress. Finally, we are developing a set of guidelines for advisors to lay out reporting requirement expectations. This guidance should enable advisors to provide workplan progress and policy information while holding in confidence certain information deemed essential by our counterparts.

All of this will require significant adviser input to make sure the changes work for you in the field and contribute to a better and more long-lasting effect.

— Mike Ruffner

## Administrative Notes

**Mandatory Trainings:** Employees are reminded to complete the two required trainings, Information Systems Security Awareness (deadline July 1) and Privacy Awareness (June 30). Contact Emily Kaufman ([ekaufman@ota.treas.gov](mailto:ekaufman@ota.treas.gov)) with any questions.

**Medical Clearances:** State Department Medical Clearances must be updated

every two years. Should a medical clearance expire, the processing of contract renewals and travel authorizations will be delayed until the clearance has been renewed. Please contact your Program Officer or Terri Garner with questions about medical clearances: [tgarner@ota.treas.gov](mailto:tgarner@ota.treas.gov).

**City Pair Search Tool:** When planning for official travel, travelers can query two

cities to find information about which airline is the contract carrier and also what the one-way fares (not including fees or taxes) are for coach and business classes. If there is no contract carrier, U.S. carriers or codeshares should still be used to the extent possible to take advantage of U.S. Government fares. <http://apps.fas.gsa.gov/citypairs/search/>.

## Photo of the Month

► Revenue Team Advisors Bert Snider and Kelly Cables accompany U.S. Ambassador to Lesotho Michele Bond on a trip to Malealea Lodge 35 miles from the capital of Maseru.



# Panel Discussion on Aid Effectiveness

## Commemorates OTA at 20 Years

"ONE OF the most powerful instruments of economic policy making (and) institution building around the world." That's how Secretary Geithner described OTA during an event to celebrate 20 years of Treasury's technical assistance program.

The commemoration, which was held at the Treasury Department in mid-April, was organized to reflect upon the role of OTA over the past two decades, and to examine the ongoing importance of OTA work for Treasury and broader U.S. Government international economic, foreign policy and security objectives.

### Perfect Attendance

It was an opportunity to build awareness of and support for the program within the Executive Branch, Congress, and other key audiences, including international financial institutions, the private sector, and non-governmental organizations and think tanks. Also in attendance were a number of counterparts from El Salvador, Ghana, Zambia, Kosovo, Angola, Lesotho, and the Palestinian Monetary Authority.

Deputy Secretary Neil Wolin kicked off the event, noting that "the men and women of OTA are not only experts in their fields, but also admirably brave and dedicated to serving the United States and their host countries in efforts to help these countries recover and grow." Wolin went on to highlight OTA's work in Iraq, Afghanistan, and East Africa where he has seen OTA advisors and their counterparts in action.

The event also featured a panel discussion moderated by Under Sec-



▲ Treasury Secretary Tim Geithner delivers remarks at the OTA-sponsored panel discussion on April 14.

retary for International Affairs Lael Brainard with current OTA counterpart Njuguna Ndung'u, Governor and Chairman of the Central Bank of Kenya; former OTA counterpart Dr. Ngozi N. Okonjo-Iweala, now Managing Director of The World Bank; Nancy Birdsall, President of the Center for Global Development; and Ray Offenheiser, President of Oxfam America. The discussion focused on the issue of aid effectiveness, not only in terms of the importance of building the capacity of host country institu-

tions, but also how bi-lateral and multi-lateral donors can more effectively partner with aid recipients to promote meaningful and sustainable reforms. Recalling her time as Minister of Finance and Economy of Nigeria, Dr. Okonjo-Iweala spoke about the partnership with OTA and Debt Advisor Francis Odubekun, also in attendance, who helped not only to build the debt market in Nigeria, but also the capacity and skills to carry on the work, which continues today.

### Family Reunion

The commemoration was also an opportunity for current and former members of the OTA family, many of whom have been with the program since its earliest days, to reconnect. **Roger Kodat**, one of

OTA's first advisors (Prague in 1991) and now an Executive Director with J.P. Morgan, described his time as an advisor as "two of the best years of my life." He highlighted the demand-driven nature of OTA assistance, as his advice was offered to "the people who lived there and [they] had to decide whether they liked it or not." Other long time OTA officials in attendance included former Director **Dan Zelikow**, Senior Budget Advisor **David Nummy**, and a number of other current and former OTA advisors. □



▲ Treasury officials and colleagues gather after the panel discussion.



# Assisting Integration in East Africa

OTA'S Debt and Banking teams are 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 eleven years ago and has created for itself an ambitious agenda to achieve customs, monetary, and eventually political union.

Since 2002, with the first engagement in Uganda, OTA has been the catalyst for a number of EAC-wide integration efforts particularly in local and regional bond markets. OTA has expanded projects to all member countries in a range of activities including development of government securities markets, banking supervision, infrastructure finance, and revenue mobilization.

In each of the countries, the shared focus and common technical assistance objective is on supporting the EAC Regional Financial Markets Development Plan and assisting each of the countries' efforts to attain standards related to monetary and economic reform, which have been earmarked as priority convergence criteria. The Regional Financial Markets Development Plan's central focus is the harmonization of policy structures and upgrading fiscal, monetary and debt management frameworks, infrastructure, institutions and practices.

Following discussions with the central bank governors of the EAC during the 2011 spring World Bank/IMF meetings, OTA committed to providing additional assistance to fur-



▲ A Rwandan woman weaves a basket for export at a cooperative training facility. (Photo by Debra von Koch).

ther develop and develop the national payments systems, and to expanding in bank supervision and financial inclusion, which is an integral part of the EAC strategy.

In 2007 the Debt Team posted a resident regional advisor in Kenya to help develop an East Africa government securities market. The advisor, Francis Odubekun, 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. A second resident advisor may be assigned in Kenya to serve the region in payment systems, legislative frameworks, and policies and procedures for regulation of microfinance institutions.

Last September the Debt Team posted Karl Landgraf as a resident advisor to the Bank of Uganda, to assist in implementing a second generation of reforms in the government securities markets.

As with other debt management programs, key goals are to create 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.

Since 2009 a Debt Team resident advisor has been assisting the Bank of Tanzania in moving towards such goals.

The project, currently guided by William Cotter, addresses obstacles inhibiting development of the government securities markets, improving functioning of secondary markets, and development of comprehensive debt sustainability. Advisor Emmitt Summers focuses on upgrading the IT platform, improving internal risk controls, providing "real-time" cash balances, and is working with all five EAC central banks to harmonize payment systems across the region. Advisor Barbara Oppen handles risk management.

The resident Banking Team advisor in Rwanda, Terry Blagg, focuses on building capacity in the area of banking supervision. Additional assistance is provided by advisors J.J. Deschamps and Valeriano Garcia on financial stability and by Vilma Rosa Leon York on the development of a deposit insurance scheme. □

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## On Budget

### *Balancing Afghan Central and Local Government Project Priorities*

A PATCHWORK of actors in Afghanistan, from Parliament and ministries in Kabul, to provincial officials and citizens, international donors, and coalition military, is formally committed to improving the budget process.

Budget Team Advisors **Lynda Roades** and **Kirk Schmidt** are shaping the policies and institutions that will put this overarching goal into practice and create an effective and transparent budgeting system that matches both national and local needs.

The ministries of finance and economy and the Independent Directorate of Local Governance are working with the ministries of health, education, agriculture, and reconstruction and rural development on a national provincial budgeting pilot. The intent of this pilot is to link local projects with national priorities, through a defined process where central ministries will coordinate with their provincial directorates as part of the budget formulation process for financial year 1391, which begins in March 2012.

Previous attempts at provincial budgeting have failed as a lack of clear guidance on how to prepare plans resulted in them turning into "wish lists" with little value as inputs to budget formulation. This lack of clear

connection between project prioritization and funding contribute to a general feeling that the central government is unresponsive to local citizens. At the same time, citizens and provincial officials need to

have realistic expectations as to what can be funded, and how quickly it can be implemented. Likewise, it is important for the Ministry of Finance and in turn Parliament to make a genuine effort to allocate funding for local proposals.

International military and development officials operating in the provincial reconstructions teams (PRTs) have their own key role to play in the budgeting process. The coalition forces control their own funding for local infrastructure and other projects known as CERP (Commander's Emergency Reconstruction Projects). Budget Team advisors are conducting a series of workshops at PRTs and forward operating bases in order to encourage the military and aid officials to think in a broader context of how their projects can meet both local and national needs.



▲ Advisor Lynda Roades at a Provincial Reconstruction Team outpost.



▲ Roades leading a budget seminar for coalition military.

The Ministry of Finance recognizes the importance of the provincial reconstruction teams and coalition forces to reinforce the goals of the national pilot in their interactions with their provincial counterparts. The Ministry developed the workshop for the international community in alignment with the more comprehensive, Afghan-to-Afghan workshops for the provincial directorates. Much of the discussion focused on getting a better understanding of the roles and responsibilities of various actors in planning, preparing, and executing the national budget. There was a misperception that Afghanistan has large cash reserves, which the Government is choosing not to spend. This relates to the Iraq experience, where that Government did have significant revenues from oil and was accumulating cash reserves, while development funding was coming from international donors and coalition.

Although the provincial budgeting pilot does not include CERP, the participants realized that the pilot and CERP will draw from the same pool of local priority projects.

(continues on page 3)



# Jim Fall — in Memoriam

ON Thursday, October 13, Jim Fall passed away after fighting a tough battle with lymphoma. With Jim's passing, OTA lost a dear friend and a founding father of the program. He was Deputy Assistant Secretary for Technical Assistance from 1996 until he retired from government service in 2005. Our condolences go out to Jim's wife, Marsha, their two sons and other family members.

In retirement, he built an extraordinarily active life in Hilton Head, South Carolina. He was a leading member of the World Affairs Council, served on town council commissions, and participated in charity events such as a 420-mile bike ride for the Special Olympics. I'm convinced that, if he had wanted to, he would have become the mayor and maybe even governor.

But I can tell you that, as active as Jim's retirement was, a part of him never left OTA. I stayed in frequent contact with Jim via email, telephone,



▲ Former Deputy Assistant Secretary Jim Fall at the OTA conference in Feb. 2010.

and over lunch whenever he came to Washington. He maintained a keen interest in the activities, finances, and, above all, the people of OTA.

Nothing says it better than Jim's own words from his emails to me over the years: "It is difficult to imagine that I am coming up on two years since my departure from the Treasury, but I think most every day of the staff

at OTA." "Please pass my greetings to all of my former colleagues – who I miss every single day." In reference to OTA's advisors, Jim wrote: "They are a superb, accomplished, honorable, very hardworking, fully plugged-in, and dedicated group. You will learn from them just as I have over the years." And the message that perhaps summed it up best: "I look back over the years I spent with the TA program and thank the Almighty for those years as the best I had in government."

Everyone who knew Jim will have his or her own personal experiences and memories that call up something of what he was as a person. To me, Jim embodied the concept of a gentleman. His courtly manner was leavened with good humor, tenacity, wisdom, a curiosity about the world, and concern for others. I will miss him greatly. □

– Deputy Assistant Secretary  
Larry McDonald

## Project News

### Lesotho Convicts Tax Evader.

In August, 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 and creating a capstone to an OTA effort to upgrade the investigative capability of the local revenue administration.

OTA Economic Crimes advisor Jim Day worked from April 2008 to December 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.

### Angola Cash Management Seminar Delivered.

Awash in oil revenues, the government of Angola is a prime candidate for an OTA

seminar on cash management, which encourages countries to think at a high level as to how to improve revenue forecasting, controls over state bank accounts, and the flow of financial information between agencies.

In late June, 72 representatives from the Ministry of Finance, National Bank, and the state-owned Savings and Credit Bank gathered for the two-day seminar by OTA advisors Steve Vajs and Mike Ablowich which introduced them to concepts of cash management. □

## Request for Photos

We continue to look for photographs taken by our advisors. We have good pictures of various churches and temples. Does anyone have a really great mosque photo? On an alphabetical theme, we are looking for pictures from Rwanda, Russia, or Romania. Send them to [newsletter@ota.treas.gov](mailto:newsletter@ota.treas.gov)

### Photo of the Month

► The Silver Pagoda in  
Phnom Penh, Cambodia.

Photo by Operations Advisor Mike Burr.





# E-Crimes Team Improves Gambling Regulation

THE GAMBLING industry is a logical focus for developing countries which want to ensure tax revenue is paid, opportunities for organized crime entry and the conduct of financial crimes are minimized, and that its role as a business and driver of tourism is realized.

The Economic Crimes Team's gaming program offers counterpart governments assistance in writing laws and regulations, and training and mentoring of inspectors. The program is led by advisors **Dennis Amerine**, formerly of the Nevada State Gaming Control Board, and **Rick Hector** and **Shirley Bachman**, who have long years of experience in casino and gaming audit with the Internal Revenue Service.

Haiti is a prime example of a country requiring large amounts of technical assistance in gaming. The country has an estimated 75 to 100 casinos, an unusually large number given the size and poverty of the population. At the same time, a large segment of the population plays the private lotteries collectively known as *borlette*. As is the case in many developing countries, the industry has grown swiftly and is essentially unregulated, so the first order of business is assisting the Government of Haiti in creating gaming laws.

The Economic Crimes Team commonly recommends a two-part regulatory structure. One part is the gaming commission, headed by the ministers of interior, justice, and finance, which

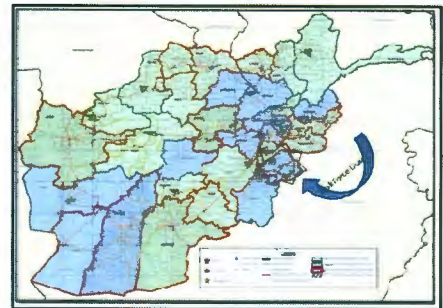
handles licensing and overall policy. Background checks on owners and key managers and their sources of financing through the licensing process is the first step in preventing opportunities for money laundering. The second part is a gaming board under the ministry of the interior or related agency. The board handles audit and taxation issues, as well as intelligence and background and criminal investigations.

Another current area of operations is Kosovo, where OTA has provided assistance on training and mentoring inspectors, and amending legislation on games of chance. The revised gaming law was recently submitted to Parliament for enactment. □

## *Afghan Provincial Budgeting (from page 1)*

This discussion highlighted the need for CERP managers to have a better understanding of national programs to improve the alignment of CERP-funded projects with national priorities. CERP managers requested assistance in educating senior military leaders on Afghan programs so that they can then work with their provincial counterparts on identifying and funding sustainable projects which support the national development strategy.

Working with Parliament to understand the pilot program and create visibility for the provincial submissions is the next key step. If the provincial submissions and projects do not make it into the budget for 1391, it will become difficult to get the provinces to continue to do any work or communicate with their Ministry on any part of the budget formulation process. □



▲Arrow showing one of the PRT training sites, Task Force Duke.

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# THE ADVISOR

Issue 8: March 2012 ♦ Newsletter of the Office of Technical Assistance

## Mock Trials and Distance Learning

### *Adapting to changing legal norms in Latin America*

WHILE remaining firmly ensconced in their civil law systems which differ markedly from the common-law system of the United States, certain Latin American countries have begun carving out a larger role for police and prosecutors.

The Economic Crimes Team has adapted its training courses to enable these newly-empowered officials to investigate and bring to trial complex financial crimes.

Civil-law systems, in their original form, vested the investigation of any criminal matter in an "investigating magistrate" with only a secondary role being played by police or prosecutors.

The process underway in Latin America is not a transition to the common law accusatorial approach used in the U.S. Latin American systems continue to be civil-law, but have provided their prosecutors with a larger investigative and trial role. This step, which leverages available resources, has brought about a marked improvement in the adjudication of cases that had previously languished.

How best to address and to assist these changes has become a central issue for the Economic Crimes Advisors working throughout the Americas. The team has taken two approaches. First, it developed a "moot court" module as an integral component of its Financial Investigations Techniques



▲ Advisor Judge Warren King (right) participates in a mock trial in Guatemala-

(FIT) course. The course revolves around hypothetical but reality-based crimes involving narcotics trafficking, corruption, and fraud. Students learn and apply state-of-the-art techniques for following the money, and different methods of proof including indirect methods, net worth analysis, bank deposits and expenditures.

Once the evidence has been developed, they switch mode and focus on trial techniques. These include developing a theory of the case; organizing the evidence; preparing witnesses; using both direct and cross examination; and crafting opening and closing statements. Students are assigned roles to play as defendants, witnesses, jurors, prosecution and defense counsel. Local judges and U.S. Judge and ECT Advisor Warren King (and soon Judge Patricia Broderick from D.C. Superior Court), play a role as well.

The team's second approach is dramatically different. In concert with the United Nations Office of Drug Control (UNODC) in Colombia, UN and ECT Advisors work in a distance-learning environment with students who, following an introduction to course materials, investigate a case. Students are given a detailed "road map" and then set about developing documentary evidence and indictment, contacting the advisors when needed.

Preparation for trial occurs in "live" sessions and in the case of Costa Rica is complemented by Resident Advisor, and former Manhattan District Attorney's Office Prosecutor, Daniel Zambrano. The course involves two days of training and strategy, followed by the mock trial itself, which can stretch eight to ten hours. Judges frequently work overnight to decide and write up a verdict, which is presented the next day, followed by a constructive criticism session driven by the participants themselves.

Training has taken place in Peru, Mexico, and Costa Rica, with Honduras to follow later in 2012. Although the adoption of adversarial trial techniques has not surfaced as a pressing issue in Eastern Europe and Asia, ECT has nevertheless included prosecutors in FIT courses to teach them the basics of collecting evidence and preparing for trial of economic crime cases. □



## From the Director

SINCE we have postponed our conference until next year, I will highlight three points I would have made in my "State of OTA" address.

From a budget standpoint, we are in decent shape. In an even tighter budget environment we have been able to get small increases in our direct funding. We should expect, however, flat to little growth in our direct funding in future years. To grow the program we have put time and effort into accessing other pots of money. Other people's money of course is a double-edged sword, as some of our advisors can attest, since each funder has a different perspective on how we should manage, track, and report on the projects they are supporting. Our challenge will be to ensure that the funding – no matter where it comes from – advances Treasury-OTA goals and allows us to operate in our internationally recognized manner.

In our never ending quest to improve the program, we are sharpening our focus on project monitoring and

evaluation, with a particular emphasis on ensuring progress towards the goals outlined in each engagement's Terms of Reference. Being earnest Americans, we want to leave the campsite cleaner than when we arrived. Normally this works well and we create lasting capacity. However occasionally we have found that the campsite might be cleaner, but the forest is on fire. There are instances where we have created work arounds or left whole problems – problems identified by our counterparts – untouched for the sake of movement. Our objective is to keep a closer eye on progress towards the higher level goals and step in sooner when we are moving sideways. For example I have been in Jamaica and Ghana recently and I laid out fairly stringent benchmarks for continued assistance. Our challenge is to identify the roadblocks and find creative ways to ensure flexibility and use of professional judgment in our assistance while making progress on the core issues.

Finally, here at headquarters we are in year two – the implementation phase – of our business process review and financial systems overhaul. The short term focus is preparing for a conversion to Oracle 12, which is scheduled for December. Since we have traditionally relied on our own in house system for managing our finances and financial reporting, the move to Oracle is a little like going from a calculator to a spreadsheet. It will take a fair amount of effort defining requirements, coding our system and implementing the conversion. At the same time we have formed several teams to implement and document changes in the way we operate. While most of this transition should be seamless to our advisor corps, we will continue to seek input from across the OTA family – here in Washington and out in the field – as we work over the next 18 to 24 months to bring about our vision of a streamlined OTA operation.

— Director Mike Ruffner

## Kudos for OTA from Oxfam

A REPORT from the Oxfam organization recognized OTA for its willingness to engage counterparts in the development of its technical assistance projects. In "The Politics of Partnership/How donors manage risk while letting recipients lead their own development," Oxfam references data from the Center for Global Development showing that OTA is one of several US agencies which excel at "fostering institutions" and that it offers "demand-driven assistance that's based on partnership." Past work on oil revenue budgeting in Chad and an electronic tax payment system in Liberia were cited as examples. [www.oxfamamerica.org/files/politics-of-partnership-lowres.pdf](http://www.oxfamamerica.org/files/politics-of-partnership-lowres.pdf)

## Photo of the Month

► *The main mosque in Abuja, Nigeria. Photo by Revenue Advisor Arthur Aron.*

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Newsletter Editorial Committee " Mike Burr, Derrick Claiborne, Bill Hein, Emily Kaufman, Jason Orlando

✉ [newsletter@ota.treas.gov](mailto:newsletter@ota.treas.gov)





# Associate Directors Look at 2012

## **Banking: Paul Leonovich**

In addition to ongoing work on creating sound banking sector regulatory regimes, we would highlight two program areas:

Support for the G20's focus on expanding access to financial services for underserved populations. The Latin America and Caribbean Financial Inclusion Initiative (LACFII) aims to establish a sound supervisory regime for microfinance enterprises. LACFII is run out of a regional hub in Guatemala and was recently expanded with the placement of a Resident Advisor in El Salvador under the US Department of State's Pathways to Prosperity Initiative.

The program is also providing technical assistance to East African Community (EAC) countries for payment systems integration with a special emphasis on electronic cross-border payments. The EAC Initiative is run out of the Kenya School of Monetary Studies in Nairobi.

## **Budget and Financial Accountability: Laura Trimble**

Budget enters 2012 with its most diverse portfolio of projects in recent memory. "Diverse" not only in geographic terms but also describing the type of projects. Projects extend from assisting countries with producing financial statements compliant with international accounting standards to implementing complex financial systems.

While we are closing six resident projects, we will begin three new projects in Haiti, Philippines and Vietnam and intermittent projects in Libya, Djibouti and India in addition to supporting GDIM and BFA advisors with intermittent cash management assistance in a number of countries, including El Salvador,

Angola and Ghana.

The team will also explore the possibility of working under the Energy Governance Capacity Initiative, assisting emerging oil and natural resource producing countries and the Global Health Initiative, assisting in health system finance.

## **Government Debt: Debra von Koch**

In addition to continuing to support 17 projects on government debt management and domestic debt market development worldwide and the Infrastructure Finance Team (see story on page 5), GDIM will highlight the following initiatives:

- We have plans for several assessment missions, including Tunisia in early March and Egypt once tensions abate.
- Following on an engagement in India that focused on their Debt Management Office, we will explore the possibility of providing debt and cash management assistance to several states.
- We expect to expand our work in West Africa by providing debt management assistance to Guinea and risk management assistance to the Ecowas Bank for Investment and Development based in Togo.
- We will be placing a resident housing finance advisor in Kosovo in late February/early March.
- We continue to be heavily engaged in East Africa, a USG/Treasury focus, where we have three resident advisors across the five country region as well as an intensive intermittent engagement, all working on the harmonization of markets and systems.

## **Economic Crimes: Carol Kelley**

To increase its capacity to address evolving forms of electronic crime, ECT is developing new strategic ini-

tiatives with USG partner agencies, such as the IRS Criminal Investigative Division Electronic Crimes Project.

Recruiting and hiring efforts will focus on strengthening the advisor "bench" on the regulatory side, especially banking; information management and security, including electronic evidence; and legal framework development.

ECT will initiate new projects in several countries in the Caribbean under the auspices of the State Department-funded Caribbean Basin Security Initiative; in Turkmenistan; and will be assessing the possibility of beginning programs in Angola and Moldova.

## **Revenue: William Remington**

We have seen a shift this year with new opportunities in Sub-Saharan Africa (Niger, Ghana and Zambia, and possibly also in Botswana), while we phase out in Algeria and Honduras. Georgia will be another large new project.

On the technical side, more and more client countries are demanding and justifying a higher level of specialized assistance. Where assistance with walk-in taxpayer service (and generalized voluntary compliance) was viable five or more years ago, today the demand is for call-centers, electronic services, and customer relation management for specialized industries such as natural resources, construction, financial institutions, and policy issues involving multinational corporations.

Moving past fundamentals is good news for the countries involved, attributable in part to donor assistance, including our own. Responding to our partners' progress, our advisors are rethinking and modernizing their work, developing approaches outside their previously established "comfort zones." □

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# Treasury Team Assesses Conditions in Libya

A TREASURY-FED team visited Libya December 18-21 to obtain a first-hand assessment of the macro-economic conditions in the country and address near term issues related to the unblocking of Libyan assets.

Representatives of Treasury's Office of Terrorist Financing and Financial Crimes and Office of International Affairs and the Federal Reserve Bank of New York went on the mission along with Budget Advisor Michael Ablowich.

The most pressing issue facing the Central Bank of Libya is putting in place the proper mechanics to facilitate the unfreezing of its assets after the lifting of the United Nations Security Council sanctions and restarting its ties with the global financial system. Trade finance is critical to Libya as it



▲ Mike Ablowich, Kate Bauer, Mike Hirson (both from Treasury) and Raleigh Tozer (NY Federal Reserve Bank) and the State Department DC-3 which flew them to Tripoli.

imports the vast majority of its consumer goods and foodstuffs and exports nearly all its petroleum products.

The next most pressing issue the team found is the lack of liquidity in the domestic financial system. Contrary to outside perceptions, salaries of public sector employees were routinely paid since the start of the revolution. However, banks imposed a withdrawal limit of 1000 dinars (\$800) which meant that in some cases public employees could not access fully their salaries in cash. The Ministry of Finance suffers from this issue as well, as it can get payments into the accounts of entities, which can access only a portion of their funding.

The trip was also an opportunity to introduce Libya officials to OTA and get initial impressions of what role technical assistance could play in the development of the Central Bank and Ministry of Finance. □

## Airport Partnership Pays Off in Costa Rica

ON January 12<sup>th</sup>, Costa Rican President Laura Chinchilla opened a \$35 million international airport terminal in the tourist gateway of Liberia, northwestern Costa Rica, the result of a public-private partnership (PPP) facilitated by OTA.

With so many national treasuries around the world facing chronic budget deficits and unsustainable debt-to-GDP levels, many countries are turning to PPPs to fund their infrastructure needs, says Debt Team Resident Advisor Geoff Finch.

But putting together PPP projects can be tricky for a government to pull off, as the Liberia airport attests. These complex, high-stakes projects require expertise across a number of fields – finance, engineering, and politics – to name a few. The job of Finch and his compatriots on the Infrastructure Finance Team, Gennifer Sussman, Harry Tether, and Steve Hochman, is to provide good offices be-

tween the government and the concessionaire, and move both sides towards the ultimate goal of an on-time, financially viable project which meets contractual requirements.

In late 2011, less than a year after groundbreaking, the US-Canadian concessionaire had substantially completed construction and asked for acceptance of the new facility so as to begin operations. The acceptance process did not go well as there were substantial discrepancies and documentation issues, and the government team was insisting on 100% compliance before opening.

The IFT members helped each side appreciate the other's concern, and work towards an equitable, technical and non-political resolution within the framework of the existing contract. As part of this process, IFT



▲ The new airport terminal in Liberia, Costa Rica.

brokered the services of an expert third party engineering team to provide additional guidance. In the end, and thanks to a timely and effective intervention by both the Vice President Luis Lieberman and the US Embassy, the matter was resolved, and the airport allowed to open.

While the acceptance process may have been difficult – even tense at times – it has yielded valuable lessons for both the contractor and the CR government teams, in learning to work together, Finch says. Institutional capacity is built on the accumulation and analysis of just such experiences. □

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# THE ADVISOR

Issue 9: June 2012 ♦ Newsletter of the Office of Technical Assistance

## Building Bonds

### *Kosovo and Bosnia enter competitive securities markets for the first time*

IN RECENT months, Bosnia and Kosovo issued government securities on a competitive basis for the first time, capping long term OTA efforts to create debt markets and improve opportunities for both government financing and domestic investments.

OTA advisors have worked with these countries for many years to craft laws and regulations, and develop the skills of personnel to analyze governmental cash needs and conduct auctions.

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 facts that it has limited access to international capital markets and its official currency is the euro, meaning that it cannot print its own money to create capital reserves. The country's 2012 budget foresees a deficit, and so the country is seeking to raise 75 million euros in funding to support its infrastructure program, which is centered on improving a highway to Albania and other domestic spending.

The first auction of 10 million euros of 90-day Treasury bills was held

January 17. The government received €22.5 million in offers, resulting in a weighted average of the accepted bids of 3.5%. The government has been holding similar auctions each month. After it has a year of experience with the bond auctions, Kosovo will begin to look at longer maturity bonds.

Resident Advisor **Anne Schwartz**, who has been in Kosovo since November 2007, assisted in drafting the law allowing the issuance of securities, trained staff at the Ministry of Finance and Central Bank, and helped create a calendar for issuance. She was assisted by intermittent advisors **Ellyn Greenwald**, who focused on settlement and clearing procedures, and **Gene Evenskaas**, who developed the network of banks acting as primary market dealers.

In Bosnia, Resident Advisor **George Gianaris** reported that he had a real struggle convincing Federation officials of the benefits of using a closed auction, where investors cannot see each other's bids, and a multiple price format as opposed to an open auction and single price format. Only after seeing the results of their first issuance when the government accepted bids as low as 1.00% up to the highest accepted rate of 2.51%, for a 2.32% weighted average did officials realize they had chosen wisely.



▲ Advisors Ellyn Greenwald and Anne Schwartz stand with the Kosovar Central Bank Governor and Minister of Finance underneath a mock up of a Treasury bill.

In March, the Bosnian Federation held its fourth auction, selling \$25 million at a weighted average of 2.28%. On the same day, the Serbian entity in Bosnia, Republika Srpska, held its own auction using the open format, paying an average of 3.51% and declining to sell the full allotment, most likely due to the high interest rates offered.

Later this summer Bosnia will face a new challenge as it delves into the sale of three- to five-year bonds, which is another important step in the development of capital markets. The market will assess the cumulative impact of the government's overall financial obligations as well as the country's uncertain political climate. □



## From the Director

I'M JUST back from a few weeks on the road following up on projects past, present and future. I had a great visit with our advisors in Zambia (Kay Blackburn and Ross Anholtz) and Tanzania (William Cotter and Francis Odubekun who flew in from Kenya.) In Namibia, I heard about good work done in past years by the Revenue and Crimes team. I'm always glad to see our advisors in action and it energizes me to see your good work. As always, I am in awe of what you accomplish.

Back at the home office, the team is burning the candle at both ends in preparation for the changeover to the new Oracle financial system. For those of you who have ever gone through a systems conversion (and survived) you will appreciate the enormity of the task. It is all hands on deck working

flat out to be ready for the December 1 go-live date. We also have several working groups using the opportunity to develop new and better policies and procedures. I'm really proud of the team's efforts.

On the budget front, we continue to enjoy strong support on the Hill. Despite cuts elsewhere, we've managed to maintain our funding in the House 2013 Appropriations bill. Of course as in past years, the path to a final FY2013 budget is uncertain. We'll keep you up to date.

I'm off to Haiti next week to try to shake loose some positions with the Debt and Budget teams. These have been stalled for some time due to changes in Haitian Government leadership and logistic issues with the embassy. If we can get to yes on the posi-

tions and terms of reference, we will be recruiting for French speaking advisors. Finding fluent French speakers has been difficult. We would appreciate your help if you know of good candidates worthy of the title "Treasury advisor." I'll also be checking in on our Revenue and Economic Crimes team work during my brief visit. While the gains have been modest, the teams have been able to rack up a series of successes. Revenues are up; the Central Bank has been out on AML/CFT bank supervision visits; and Haitian officials have seized criminal assets valued at about \$90 million and also have contributed key evidence to support convictions in U.S. courts for serious corruption offenses committed in Haiti. □

— Director Mike Ruffner

## Assisting the Arab Spring

DURING our recent trip to Tunis (March 12-15), Barry Gray, J.J. Deschamps and I confirmed the Tunisian government's keen interest to work with OTA to strengthen the banking sector and develop government debt markets.

Our Banking engagement will aim, broadly, at enhancing financial sector stability, with a focus on bank restructuring and bank supervision. Our Debt engagement will help Tunisia strengthen its primary market for government securities, develop a currently

non-existent secondary market, and enhance capacity for cash management. Over time, there may be opportunities for other OTA teams as well.

In some respects, this "Arab Spring" country resembles the transition countries where OTA worked in the program's early years. For Tunisia, the challenge is not to build from scratch but to adapt quickly and effectively to a new political environment with new possibilities and demands. Tunisia's civil service can build on a foundation of basic capacity and

strong discipline. Discipline was in evidence when, as we were told, the entire civil service reported to work on the first day after the revolution.

This would be the second time OTA has worked in Tunisia though the first with the Tunisian government. From 2006 to 2009 OTA's Economic Crimes team helped the African Development Bank set up and strengthen its internal Inspector General Office. □

— Deputy Assistant Secretary  
Larry McDonald

## Photo of the Month

► A baobob tree in Zambia.  
Taken by Budget Advisor  
Lynda Rhodes.



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# Managing Mongolia's Mineral Resources

UNTOLD amounts of coal, copper, and gold have begun to flow from underneath the vast grasslands of Mongolia. OTA is providing assistance to help the government manage its windfall, issue domestic and international debt and create a sovereign wealth fund in order to manage its soaring currency and inflation, and ensure large enterprises are properly and fairly taxed.

## Debt Management

While production of minerals will not reach its stride for several more years, Mongolia has immediate financing demands related to infrastructure, joint venture development costs, and social development needs.

Last year, Resident Advisor **Pat O'Connell** assisted the Ministry of Finance with developing auctions of \$180 million worth of local currency-denominated notes with tenors ranging from one to seven years, with proceeds designated for government worker housing, cashmere and wool processors and small- and medium-sized enterprises. O'Connell also assisted in structuring \$580 million in government guaranteed five-year notes which were sold in March 2012 by the Development Bank of Mongolia, the country's first public issue of sovereign debt in the international markets. Intermittent Advisor **Steve Vajs** made three visits to Mongolia to assist the Ministry in improving its cash-forecasting skills.

Another area of assistance provided by O'Connell is outlining options for the Ministry of Finance in designing a sovereign wealth fund (SWF),



▲ The Chinggis Khan statue in Ulaanbaatar, Mongolia. Photo by Phil Morris

which would take excess revenue and invest it in long-term international instruments for the future benefit of the country. The discussion at this point is centered on investing to provide for future social security obligations and budget assistance in times of commodity downturns, with the experience of other countries with SWFs being used to prepare for a multi-generational national savings account.

## Revenue Administration

Nearly 84% of Mongolia's revenues come from around 300 large firms, particularly those in mining, and consequently OTA's strategy for assistance to the Directorate General of Taxes (DGT) is squarely aimed at both increasing revenue and improving customer service for these taxpayers.

The project is unique in the level of close coordination with the International Monetary Fund. OTA and the IMF have joined efforts and created a unified workplan, and conduct periodic joint assessments of the project's progress under the guidance of Program Manager **Richard Teed**.

One major component of the effort is an overhaul of the corporate tax code, with emphasis on treatment of mining activities, led by Advisor **Robert Klayman** and a counterpart from the IMF, working with a task force composed of Mongolian tax, Ministry of Finance, and private sector representatives. A draft of the new law has been sent to the Ministry in preparation for submission to Parliament.

Another major component of the Revenue work focuses on transfer pricing, which involves examination of financial ties between related companies, which is especially salient due to the international connections of the mining industry. As well as ensuring that transactions involve realistic prices for minerals, the work of Advisor **Ralph Harris** also envisions the possibility of long term agreements between the DGT and companies on treatment of certain transactions, which creates a more stable investment environment.

In other areas, Advisors **Ann Green** and **Kurt Meier** have been providing assistance on audit of the construction, banking, wholesale and retail sectors; **Gayle Morin** is establishing key client manager relationships for large taxpayers; and **Dan Nally** is modernizing the approach to debt collection. □

## Admin Note

OTA is transitioning from our in-house-created Business Financial Management Information System (BFMIS), which is based on an outdated platform, to an Oracle-based system maintained

by Treasury's Bureau of Public Debt. This project is facilitated by Budget Advisor **Gail Ostler**, who is experienced in system conversion and implementation. The main goal of the system is to provide OTA data in a user friendly manner that will lead to precise reporting and greater

program analysis. Virtually every member of the Washington based staff is participating in the conversion via committees that address the requirements of a new federal financial system and the needs of OTA. The system will go live in December with on going adjustments throughout 2013.

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# THE ADVISOR

Issue 10: Nov. 2012 ♦ Newsletter of the Office of Technical Assistance



▲ Guatemalan authorities count forfeited cash before it is deposited into a government bank account.

## Making Crime Pay

Seizing, forfeiting, and managing criminally-acquired assets

MORE THAN \$120 million in assets traceable to criminal activity have been seized and/or forfeited by law enforcement authorities in Latin America and the Caribbean as a result of technical assistance provided by the Economic Crimes Team (ECT).

ECT encourages counterparts to recognize the importance of asset seizure and forfeiture as an integral component of criminal prosecutions and convictions, says Associate Director Carol Kelley. Many police and prosecutors are traditionally focused only on obtaining convictions and putting offenders in prison, but taking away a criminal's assets strikes at the heart of the profit motive of crime.

Using asset seizure and forfeiture as a tool to combat crime is an international practice enshrined in United Nations conventions and in the standards of the Financial Action Task Force (FATF), the international body which sets standards in the fight against money laundering and terrorist financing.

Allegations of criminal activity are the basis for initiating an investigation.. ECT provides training and

mentoring for investigators and prosecutors who follow the "money trail," including uncovering associates and related businesses, determining who has formal title to property, and maintaining an inventory of potentially forfeitable assets. For example, if a suspect's relative or associate has title to a car being driven by the suspect, that person's sources of income are also investigated. During this phase of the investigation, ECT encourages counterparts to establish cooperative relationships between police and prosecutors who might not ordinarily communicate with each other—to the detriment of building an effective case. In Honduras, for example, ECT has helped to facilitate a financial crimes task force comprised of various law enforcement agencies that pools distinct authorities and skills to develop a more comprehensive criminal case, including the identification of assets that might be seized or forfeited.

Once an investigation has established the evidence of criminal conduct and proof of ownership of assets, authorities can begin the process of seizing or forfeiting the assets. In some

countries, legislation authorizes the forfeiture of assets without a criminal conviction (i.e., non-conviction based confiscation). In other countries, a conviction must be secured before the assets can be seized or forfeited. When a property is forfeited, the title is transferred to the government so that the items then may be utilized or sold. ECT works with judicial officials to develop the specialized expertise necessary to oversee these kinds of cases. Over the past four years, Haiti has reportedly confiscated more than \$90 million in assets from convicted narcotics traffickers. In just the past two months, Guatemalan authorities have forfeited more than \$250,000 in cash from a narcotics trafficker, as well as a ranch used to store narcotics in transit from Colombia to the United States.

ECT also provides assistance in the management of assets once they are seized or forfeited. To ensure transparency and accountability, it is imperative that authorities establish

Continued on page 4

# From the Director

I JUST returned from a meeting of Treasury Technical Assistance (TA) providers. The "Canberra Group," so named after the first meeting in Australia, brings together a number of countries to talk about the art and science of providing peer-to-peer TA. One of the sessions focused on the central question of "if the international community has recognized that improving capability in handling public finances and managing the financial sector are key to economic growth, then why, despite more than two decades of investment in TA, are we still helping countries with very basic reforms?"

Since I started at OTA, I have often wondered why we seem to still be working on very basic or fundamental changes, and why our counterpart institutions have the form of a finance ministry or central bank, but little of

the function. [Recent academic work](#) by Lant Pritchett and Matt Andrews (a friend of the OTA program) has looked into this phenomena and shown that while institutions in the developing world may look like a western Ministry, in fact they have little of the functionality. He borrows the sociological term "isomorphic mimicry" to describe the situation that we see where for example there is a computer on each desk but they aren't even plugged in.

The session looked at how we got into this situation and what we as practitioner advisors can do. Of course there was general agreement that we need more Treasuries and Finance Ministries involved in TA. But more than that, the group looked at how to focus more on changing behavior rather than changing structure; how to work on a more system wide

basis; how to use our Treasury policy shops to develop a more conducive environment to do our jobs; and how to create more "real" ownership and commitment for reform on the part of our counterparts. Our challenge will be to craft programs focused on real change, with engaged and committed partners and to grow the program so that we can focus on the systemic problems. □

— Director Mike Ruffner

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## Treasury Delegation Visits Burma

LAST MONTH Deputy Assistant Secretary Larry McDonald participated in a Treasury mission to Burma (Myanmar). The delegation, led by Deputy Secretary Neal Wolin, met with Burma's leadership, who confirmed their keen interest in Treasury technical assistance. Burmese officials

highlighted a number of economic and financial objectives—e.g., strengthening policies and implementation capacity related to budget, revenue, debt management, payments and settlement systems; development of financial markets; central bank independence; combating economic and financial

crimes, etc. OTA is currently planning technical level follow-up missions to assess priority needs and is in contact with IMF, World Bank, and other donors to coordinate assistance plans. □



▲ Deputy Secretary Wolin and the Treasury delegation meet with Burma President Thein Sein and senior officials.



▲ The delegation with parliamentarian and Nobel Peace Laureate Aung San Suu Kyi.



# Afghan Airport Revenue Takes Off

OTA assisted the Afghan Government in designing a series of controls and transparency measures to manage air transportation fees, which resulted in more than \$8 million in additional revenue.

When Revenue Team Advisor Ernest Valverde picked up the assignment in early 2010, he found few controls over revenues from the burgeoning aviation industry, which provides a critical lifeline for the mountainous, landlocked country.

The majority of payments for airport services were done in cash. For unscheduled or charter flights, pilots paid with a wad of cash. Valverde's first job was to review the revenue streams and figure out the best ways to control them.

Over the past three years, Valverde has worked one-on-one with the Minister of Transportation to outline and promulgate new regulations. One key step was to standardize fees for airport services by publishing them on a website. This change eliminated the discretion airport managers had over the fees and increased revenue that will eventually be received by the government.

## Establishing E-Payments

In January 2012, cash payments for airport services were eliminated. Valverde and the Minister developed implementing regulations that allow customers to set up electronic accounts and establish accounting procedures for crediting their accounts. The Ministry of Transportation (MoT) reported \$8 million in additional revenues in the quarter cash payments were eliminated.

## Outsourcing Revenue Collection

Continuing the process of controlling revenues, Valverde and advisors from



▲ Kandahar International Airport was built by the U.S. FAA in the late 1950-1960s and was based on the original design for Love Field in Dallas, Texas.



▲ Working group meeting of the Afghan Airport management, ISAF, U.S. FAA, U.S. Treasury and the Embassy Economic Section.

the U.S. Federal Aviation Administration (FAA) assisted the Ministry in collecting bids to outsource the collection of airport revenues. The Ministry is now in final negotiations with a U.S.-based firm to use technology such as infrared cameras to identify, electronically bill and collect landing fees, and remit them to the Ministry of Finance. This will be done using a web-based system that will be auditable by the

government.

Currently landing and parking fees are collected the old-fashioned way, with spotters in the tower recording tail numbers on paper then radioing the data to the city center, where they are entered into an Excel worksheet.

## New Passenger Fees

In October, following long negotiations, the International Air Transport Association started collecting new facility use and security fees of \$20 for international passengers and \$5 for domestic passengers. These fees will bring in an estimated \$13 million annually. Previously the airlines were responsible for collecting the fees but many of them ran up millions of dollars in arrears by neglecting to remit the revenues to the government. The fee will meet a critical need as the United Arab Emirates, which is underwriting the cost of airport security, will phase out its assistance in 2013.

## Privatizing Airport Operations

A final step in increasing transportation revenue is to privatize all ground handling operations at the four international airports at Kabul, Kandahar, Herat, and Mazar-e-Sharif. Valverde and the FAA assisted the Ministry in outlining the tender requirements and evaluating the bids. MoT has narrowed the field down to six bidders, all of which are Afghan companies partnered with international aviation companies. □



## Making Crime Pay (from page 1)

procedures for determining what should and should not be seized, and for tracking assets. During an ECT assessment mission to El Salvador the team toured a warehouse containing damaged bicycles, old computers, and dust-coated diapers that had little to no value and were not worth seizing in the first place. To the extent they are able, authorities should pre-assess property intended for seizure or possible forfeiture to determine its value and decide what may be needed to efficiently handle items that can range from cars and houses to airplanes and multi-million dollar race horses. It is important to manage the assets with a goal of maintaining their value. Cars and houses are among the most frequently impounded items



▲ Economic Crimes Advisor Karen Quesnel met with Honduran President Porfirio Lobo at a conference in Tegucigalpa in August on the subject of "New Strategies for Dismantling Transnational Criminal Organizations."

and arrangements need to be made for their upkeep if the government is to derive any benefit from them. In some countries, the legislation permits forfeited items to be sold at auction or used by government agencies. In Haiti for example, many government buildings were destroyed in the 2010 earthquake, but agencies were able to continue their work in properties confiscated from drug dealers. In Honduras, a seized plot of land was transferred to the bureau of prisons to build a new corrections facility. ECT can assist countries in developing asset management plans and strategies. For example, ECT is working with the Honduran asset management unit to create a public website that tracks seized items. □

## Program Officer Garhett Mecham returns from Kabul

Program Officer Garhett Mecham returned to DC in October after more than two years as technical assistance coordinator in Afghanistan. He was in charge of support for all Treasury personnel in-country and coordinated Treasury efforts between HQ, the Afghan Government, State Department, and other agencies.

**Did you have the opportunity to experience much of the country?**

I only saw Afghanistan from an armored vehicle or from behind a security wall. It has a beautiful, mountainous landscape and if circumstances were different, I would love to be able to travel the country.

**What was the most difficult part of your transition?**

One of the hardest things I had to deal with was the new work schedule. I worked 10-12 hour days 6 days a week. I only had one day off, and even on that one day, I often had to report

to work. The intensity was difficult.

I also found it hard to get used to some of the cultural differences. Even though we are prepped before we go, it is still hard to get used to the way that men and women are completely separate. In the dining facilities, women are seated away from the men. Once, when I was in the Central Bank, I tried to shake the hand of a woman working there and she immediately recoiled and looked afraid. It was very hard to get used to that. We are accustomed to first thinking about the person and not their gender.

**What did you miss about the States while you were in Afghanistan?**

I missed food, family, and freedom. Their society dictates everything that they can do. I really learned to appreciate the freedoms we have here. We can say what we want, wear what we



▲ Garhett Mecham in Kabul.

want, and practice any religion we want. My time there really helped me to understand how different it is. It puts our problems in perspective.

**Now that you are home, are there things you miss about Afghanistan?**

I miss the one minute commute, as opposed to the one and a half hours I spend now. I enjoyed the work I did while I was there. I got to do a lot of policy work and I became very knowledgeable on a variety of subject matters and was able to work with many different agencies. I gained experience working with anti-money laundering and terrorist financing, which directly relates to my new role as a program officer for the Economic Crimes Team. □



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# THE ADVISOR

Issue 11: May 2013 ♦ Newsletter of the Office of Technical Assistance

## Burma *beckons*

Assisting the ambitious agenda  
for reform in Southeast Asia



▲ Burmese police view the capital city of Nay Pyi Taw. Photo by Economic Crimes Senior Advisor Rachel Irmen.

AFTER MORE THAN 20 years of intense isolation under a military dictatorship, the Southeast Asian nation of Burma is currently engaged in wide-ranging political and economic reforms. OTA advisors will soon be on the ground to help deepen the transformation of the country's public financial management and financial enforcement systems.

The Revenue and Economic Crimes Teams have taken the lead in assessing technical assistance needs and obtaining buy-in from potential counterparts. In creating a tax administration oriented towards voluntary compliance and developing modern financial enforcement bodies, the Government of Burma has embarked on an ambitious agenda for reform.

As might be expected in the transition from military to civilian rule, financial enforcement powers remain heavily concentrated. Regulation, investigation and prosecution of financial crimes are in the hands of a body called the Central Control Board which is made up of the ministers of internal affairs, revenue, agriculture, the central bank governor, and the chief of police. The Economic Crimes Team expects to assist the Myanmar Financial Intelligence Unit (MFIU) as it assumes responsibility for the analysis of suspicious transaction reporting, pursuant to international standards. Highlighting the ambitious appetite for reform, the MFIU intends a nine-fold increase in personnel from 20 to 180 by 2015. ECT Advisors Mike Looney and Dan

Neau will assist this process initially on an intermittent basis, with the possibility of transitioning the engagement to a resident program at a later date.

On the revenue side, OTA has partnered with the International Monetary Fund (IMF) to develop a joint assessment of the tax administration's needs and a workplan for reforms. The plan received Burmese presidential approval, a sign of the critical need the country faces in increasing revenue. Reforms will be centered on a new specialized unit that will serve, starting in April 2014, several hundred of the country's largest taxpayers. In June, Advisor **James O'Malley** will begin to assist the tax administration in creating personnel policies and conducting a skills assessment in order to develop a workforce that can assist and monitor tax compliance of the nation's largest taxpayers. The second area of focus involves breaking the taxpayer base into various segments by business size and type, and creating customized strategies for increasing tax compliance.

Other OTA teams have taken preliminary steps to engage Burma. Budget Advisors **Sheila Beckett** and **Michael Ablowich** traveled to Burma from May 6 to May 18 to participate in the delivery of an introductory public financial management (PFM) course to officials from the Ministry of Finance and Revenue, the Ministry of National Planning and Economic Development, and line agencies. The course was delivered jointly with the World Bank, IMF, and Australian Department of Treasury. Beckett and Ablowich also participated in planned discussions and meetings with the government's recently constituted PFM reform team on issues related to priorities and preparation of the reform strategy. Through this approach, OTA hopes to be on the

Continued on page 2



## From the Director

FOR THE past several years, I've talked about the business process review and financial system conversion we are undertaking. The conversion – shifting our copious data to a new accounting system – was bumpy, but we have come through it and are in a better place.

With its completion we are turning to the business process re-engineering in which we are reviewing all of our administrative processes to see if there is a better and more efficient way to do things. Our first workgroup is focusing on the new contract and contract modification process. The result will be a more streamlined process that will cut down on the steps and reduce administrative costs. Advisors will not

see most of the changes, but already we are consolidating contract officers at the IRS, changing position descriptions and standardizing processes. Eight additional workgroups will be formed. In improving and streamlining its processes, and becoming a better manager of public finances, OTA is practicing on itself what it advocates in its work globally.

In other news, video conferencing is coming to OTA. We will do a test drive soon before we decide on a system to purchase. We will set up scenarios that include doing large classroom trainings, small work group sessions, and a large meeting. We will be looking for volunteer counterpart countries (with varying internet capa-

bilities) to participate in real technical assistance as part of the test, but will also look at the delivery with a critical eye. We also intend to do a large meeting for all OTA staff. As you all know it has been many years since we have had an all-hands conference and the environment for conducting such a conference does not look to improve any time soon. As a matter of necessity, we will explore more routine use of this medium. The system backbone, which is mostly web and cloud based, will be available to all OTA personnel.

I'm off this weekend for a quick trip to Asia. I always look forward to getting out in the field to see your good work. □

– Director Mike Ruffner

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## From the Deputy Assistant Secretary

SINCE the departure of Secretary Geithner and the arrival of Secretary Lew, I'm sometimes asked "How are things going under Secretary Lew? Has OTA had any interaction with him?" The short answers are: "Things are going fine," and "A little, but I'm certain there's more to come." To elaborate, the Secretary has been extremely busy with a host of issues both domestic and international, but based on a one-on-one conversation, I can tell you that he is well aware of OTA, mainly from his time at State and the Office of Management and Budget (OMB), and expresses high regard for our program. As time goes on, and as the Secretary travels more internationally, I

believe there will be opportunities for him to learn more about OTA and, I hope, to meet as many of you as possible in the field.

Switching gears, recently, much of my time has been devoted to efforts to secure additional funding for OTA from other parts of the government, in particular State, USAID, and MCC. Such funding is an important complement to our annual appropriation. In one way or another, everyone in OTA management is involved, making the case for OTA's ability to be a cost-effective contributor to broader U.S. Government and multilateral development efforts. A perfect example is the country featured in the cover article:

Burma. Every team can make an important contribution to Burma's development goals, and several teams have already begun to do so. Additional funding will help us strengthen and sustain our engagements. While the "fund raising" task appropriately falls on OTA management, advisors can help. One way is by letting us know when the U.S. embassy is about to update the Mission Strategic Plan and to make any associated funding decisions. Of course, the most important contribution that you make as advisors is in your day-to-day work. This provides evidence of how additional resources for OTA can be put to good use. □

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## Burma Beckons (from page 1)

ground floor for providing budget technical assistance.

The Government Debt Issuance & Management Team is planning to undertake a robust needs assessment mission in the next few months to build upon the findings of the Budget Team. During the PFM training session, Burmese officials elaborated public debt challenges which technical assistance might help overcome.

The Burmese Treasury is planning to establish a new debt management committee, in addition to a new cash management committee, that will define strategic objectives for overcoming identified weaknesses in the issuance and management of public debt: the lack of a centralized debt recording system, a limited market for government debt securities, and a legal framework that is outdated and does not include issuance and management of government securi-

ties. The Treasury expects to take over responsibility for some front, middle and back office functions such as the preparation of a public debt strategy, the issuance of local currency denominated debt, and recordkeeping for both external and domestic debt.

The Banking Team has assessed the situation in Burma but does not intend to engage until it finds a niche which is not being served by other international donors. □

# Sound public financial management and contracts for clean energy for Indonesia

OTA IS accelerating the Indonesian State Electricity Company (PLN) shift away from overreliance on expensive and dirty diesel generators by improving the investment climate for independently-owned clean energy projects.

The electric company operates 4000 isolated power networks across the country's myriad islands. Since many of those grids rely solely on diesel, the cost of generation in those areas is up to four times higher than the average electricity rate charged to the consumer. As a result, the Indonesian electricity subsidy, totaling \$9.5 Billion in 2011, is a huge burden on the national budget. Switching to cheaper (and cleaner) sources of energy will help ease this financing burden.

Debt Team Resident Advisor **Milosz Mogilnicki** is working with the PLN to create standardized agreements under which the company agrees to purchase output from independently-owned power plants.

Operations at the PLN are decentralized, and the regional offices have the authority to sign agreements with the power producers, creating inconsistencies and increased risks to the developer, government and PLN. Some mini-hydro projects reached agreement with the PLN but remain stalled due to lack of financing. Project



▲ A State Electricity Company solar installation on a small island off the coast of Lombok. OTA's support will encourage the development of similar units.

developers and banks don't understand each other's requirements and constraints, according to Mogilnicki, who has a background in both finance and engineering.

In his work with the PLN under the auspices of OTA's Infrastructure Finance Team, Mogilnicki is addressing the inconsistencies and different standards that are applied to such agreements. He is focusing mainly on the issues of risk distribution and security of the contract, with the aim of making the contract, and therefore the project, attractive to developers,

banks, and investors.

To address these issues, Mogilnicki will be working at the PLN headquarters to provide recommendations for the development of a standard agreement for mini-hydro projects (under 10 megawatt), which will then be distributed across the regional offices.

After this is completed, the PLN will use that template to develop a standard power-purchasing agreements for solar, wind, biomass and biogas. Mogilnicki will also develop guidance and documentation

for PLN staff on implementing the agreements, and work on developing other incentives for renewable energy projects such as tax credits.

There is a huge potential for power plants which turn liquid waste from palm oil production into methane for electricity generation (biogas). Mogilnicki is attempting to change the current situation whereby banks have been reluctant to offer anything but full-recourse loans through which potential investors risk all their assets, not just the power plant. □

## Admin Note

Advisors must complete the required Cyber Security and Privacy Awareness trainings by the respective June 1 and June 30 deadlines. Please send completion certificates to Emily Kaufman at [ekaufman@ota.treas.gov](mailto:ekaufman@ota.treas.gov).



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# Purchasing Power

## Creating efficiencies in Honduran government medical supply procurement



▲ Budget Team Advisor Ken Kehl (R) discusses public procurement with the Minister of Health and the director of the Honduran National Purchasing Office.

A HONDURAN hospital lowered its costs by 54% on its first purchase of medical supplies under a procurement system designed with the help of the OTA Budget Team.

Streamlined procurement, and the resulting budget savings, is particularly critical for Honduras as it navigates a fiscal crisis. The Honduran government traditionally had a decentralized approach to purchasing supplies. Individuals across different ministries had procurement authority and made ad hoc "miscellaneous purchases all over the ballpark," said **Ken Kehl**, a lead advisor for OTA. A tab of aspirin could cost 8 lempiras one day and cost 15 another day, even if bought from the same supplier. Procurement officials faced little public scrutiny of their work and developed close relationships with suppliers.

The Honduran National Purchasing Office (NPO), however, was eager to bolster its role as a centralized procurement agency. Previously it acted as a regulatory agency, publishing rules on procurement. While the NPO had some experience in single-time,

bulk purchases, it had not yet made the leap to an indefinite term and volume contract where government agencies could access lower prices for a longer term.

Kehl worked closely with the NPO in establishing a work group with the health ministry and hospitals to create a request for bids for a range of medical supplies. The contract would allow for hospitals to purchase supplies on an as-needed basis at fixed prices which are considerably lower than if they were spot-purchased. The hospitals estimated their needs at 8 million disposable gloves, 6 million syringes and 500,000 masks, among other items.

Over the course of the past year, Kehl provided examples of US and World Bank procurement documents, discussed pros and cons of various approaches, and reviewed the working group's drafts of bid documents.

Medical supplies proved to be a more complicated issue than the NPO's previous experience with vehicles and computers. Much more exacting specifications needed to be outlined to cover the necessary sanitary

standards, expiration dates, as well as the details of the items themselves, as there was a need for more than 65 types of sutures and 18 types of medical needles and nine types of catheters.

Once the request for bids was publicized, six bids were received. The bids were evaluated based on the transparent criteria announced as part of the bid process. An international medical supply firm was awarded the contract in July. On August 15, the first hospital made a purchase under the system. The cost of \$245,000 represented a 54% savings over its previous purchases.

The project survived two changes of finance ministers and three changes in health ministers, a testament to the need for cost savings in the health sector as well as the determination of NPO management to follow through on reform.

In the coming months, Kehl will assist the NPO in expanding the procurement system to include pharmaceuticals, as well as improving the online system for procurement. □



## From the Director

DESPITE my recent travels to Nigeria and Ghana, administrative and fund-raising matters have consumed most of my time recently. It is apparent that our inability to hold an all-hands conference for the last few years has hampered program communication. Our video conference test was a middling success, but I'm encouraged that individual teams have made better use of the technology. In fact, we are now testing a different web technology that may work better.

As part of another program-wide communication effort, soon we will start a bi-weekly email program that will provide guidance on administrative and programmatic topics. The topics will range from refreshers on areas discussed at time of advisor deployment, to the promulgation of new

or revised policies. For example, one of our first communications will focus on "did you know you could voucher in for ...?" and then move on to more awe-inspiring topics like outside employment and media guidelines. The focus will be on policies and procedures that are generally understood, but that have specifics over which OTA advisors may trip.

I mention this as OTA is part of an ongoing Treasury Department-wide Inspector General review focused on government travel card use. The review reminds us that OTA, as a program that must travel to fulfill its mission, has a particular obligation to ensure that our advisors are well versed in the rules and regulations that govern their official travel, including the use of travel cards. We will be send-

ing out additional guidance on this particular issue in the coming week.

Suffice it to say, the government is made up of rules. And while those rules are not always intuitive, they are designed to ensure that there is no air of impropriety or undue benefit. We will continue to help you understand how these rules apply to your work, including in some cases, by creating new policies. So, be on the look out for our new e-mail series. I do welcome your feedback. In particular, I am interested in areas where you would like more explanation or even a new policy. □

—OTA Director Mike Ruffner

## Reflections on OTA and Afghanistan

ON September 6, OTA's last advisor in Kabul, Budget team expert Beckeye Simpson, will close her suitcase and an important chapter in OTA's decade-long engagement in Afghanistan. I say "chapter" rather than "book" because no one knows with certainty what the future holds for Afghanistan and what role, if any, OTA may play. That said, Beckeye's departure is an important milestone.

Since the fall of the Taliban, and the arrival of OTA's first resident advisor in 2002, Larry Seale, Afghanistan has been one of our most significant engagements anywhere in the world. At one point or another, all five OTA teams fielded advisors, and for the most part multi-team engagements were the norm. A total of [25] OTA advisors have served in Afghanistan, including [19] residents and [6] intermittents, plus two Program Officers. Resident advisors typically served more than a year and in many cases several years, which meant they were among the longest serving, most experienced USG personnel at post. OTA advisors worked in some of the most important institutions in the Afghan government: the Finance Ministry, Central Bank, financial intelligence

unit (FinTRACA), the Major Crimes Task Force, and the Ministry of Transportation. Our sub-national budget advisors worked with Provincial Reconstruction Teams and local Afghan officials across the country.

How to assess or characterize the outcome of our work? Ultimately, each project is its own "story" and each advisor has the most directly informed "take" on how the project went. From my perspective, admittedly a remote one, our engagements have run the gamut from some of the most successful and consequential in OTA's histo-

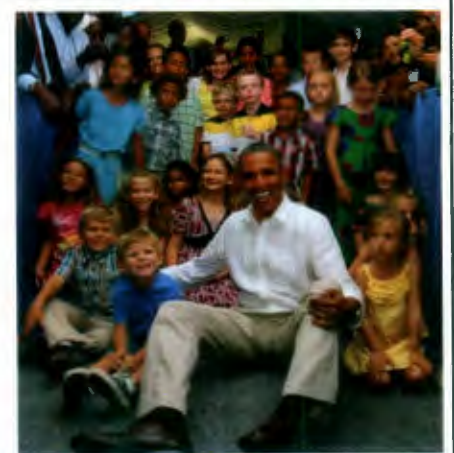
ry, to some of the most frustrating and disappointing, the latter through no fault or lack of effort on the part of our advisors. In the coming months, OTA management will conduct a more systematic and thorough assessment of our efforts in Afghanistan.

One constant of our engagement has been the admirable commitment and bravery of OTA personnel in Afghanistan, both resident and intermittent. I thank and commend all of you, and I am extremely happy that you returned safe and sound. □

—Deputy Assistant Secretary  
Larry McDonald

### Photos of the month (1)

President Obama at a U.S. Embassy event in Dakar, Senegal, along with OTA Debt Advisor Ed Roche's son Edward, age 3 (left of the President) and daughters Maeve, 8, (directly behind Edward), and Agnes, 11, (standing in back). The President was in Dakar as part of his recent tour, which also included South Africa and Tanzania.





# Creating Conditions for Growth in Mobile Banking

HIGH hopes are pinned on the emergence of mobile banking as a way of bringing financial opportunities to low income populations. OTA assists countries with establishing the proper regulatory environment, allowing growth to benefit both customers and banks, reducing barriers to international payments acceptance, and preventing facilitation of economic crimes.

While mobile banking has been around in some form for more than a decade, its growth in recent years has exploded. Laws and regulations have struggled to keep up with the pace of change. The type and breadth of services associated with mobile banking varies considerably from country to country. In one form, a licensed bank simply extends its ATM or branch services onto a mobile platform. In another form, a telecoms authority offers a forum for individuals and businesses to transfer money outside of the traditional financial system, creating potential regulatory concern.

A couple of years ago, countries required coaching for including microfinance as a new type of asset in the formal banking sector, says Banking advisor **Irene Philippi**. Today the majority of countries are faced with regulating new electronic means of payment and mobile financial services which are often provided by institutions outside the formal banking system. The technical assistance program responds to the unique requirements of each country, based on where they are in the "innovation in financial markets" curve, their policy goals and their legal environment.

The growing range of services available via the phone, as well as the new participants in the industry such as telecoms and payment service providers are only two of the major regulatory challenges. New technology including near-field-communications (swiping a phone near a payment terminal) and cloud-based services adds

additional complication, says Banking advisor **Bryan Barnett**, who comes to OTA with a background as a manager at Microsoft and consultant on technology and microfinance for the Gates and Grameen foundations.

Given the rapid pace of change and outdated regulatory environment, OTA work in mobile banking first of all aims at establishing a dialogue between government officials, industry, and non-governmental organizations with an interest in promoting access to finance. The Banking Team conducted a series of regional workshops in Bangkok and Nairobi as an outgrowth of its financial inclusion program. An additional workshop is scheduled to take place in Lima in October.

From the perspective of prevention of money laundering and terrorism financing, the Economic Crimes Team encourages counterparts to place mobile banking into the framework of a risk analysis, customer identification and customer due diligence. If mobile banking is being conducted by licensed banks in countries responsive to the international Financial Action Task Force (FATF) regulatory assessment process, there may not be a need for special measures beyond ensuring that the country has the resources to advance their current regulatory framework efficiently, says ECT advisor **Aaron Fox**, a former banking execu-

utive specializing in anti-money laundering compliance. Where development of mobile banking is advancing in a country with FATF challenges, targeted assistance to address challenges in the context of the mobile banking risks should be considered.

Once the parameters of risks and concerns are identified, the second step is developing the legal and regulatory framework. Existing laws may not allow for mobile banking and therefore require modification. In addition to creating legal and regulatory frameworks, part of this process should include delivering information that allows countries to anticipate future legal and regulatory needs. For example, incorporating remedies to customer protection gaps identified in the implementation of mobile banking in other countries. The Banking Team's Latin American Financial Inclusion Initiative (LACFII) is currently coaching the central banks and regulators of Uruguay, Paraguay, Guatemala, Dominican Republic and El Salvador in designing such regulatory frameworks.

Other innovations which require legislative or regulatory backing include agent banking (allowing a convenience store or other outlet to take deposits or pay out cash to customers), basic savings accounts with simplified procedures for verification of identity aimed at lower-income clients without IDs and customer protection. □

## Photos of the month (2)

▲ The Zambezi River separating Zambia and Zimbabwe at sunset. Photo by Revenue Advisor Pam Largent.





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# THE ADVISOR

Issue 13: Jan. 2014 ♦ Newsletter of the Office of Technical Assistance

## Culling Corruption

### Establishing an inspector general agency in Colombia

FOLLOWING recommendations and assistance from OTA, Colombia has instituted the first inspector general for revenue issues in Latin America, creating a body tasked with investigating corruption and rooting out systemic weaknesses in the tax and social security administrations.

Colombian officials knew they needed to do something to counteract the perceptions of corruption, and lack of internal controls, said Ernest Valverde, the lead Revenue Program advisor. Disciplinary investigations never seemed to lead anywhere, particularly after investigators discussed cases with employee union and tax officials.

The need for an IG was suggested by OTA and ultimately adopted by the tax administration Director General, who took the idea to the Minister of Finance, who in turn brought it to the President of the country. In November 2011, a presidential decree established the Inspector General de Tributos, Rentas y Contribuciones Parafiscales (ITRC), which ultimately came into force in April 2013 with its own trained staff.

Valverde provided feedback on the organizational structure, as well as the scope of authority of the investigation and internal audit departments, and on the set-up of administrative functions such as IT and public affairs, in addition to providing investigation training. Steve Mullins and Danny Athanasaw provided training on internal audit, covering subjects such as analysis and report writing aimed at uncovering systemic weaknesses and providing recommendations for improve-



▲ A screenshot of the YouTube promotional video for the Colombian Inspector General de Tributos, Rentas y Contribuciones Parafiscales (ITRC). ([www.youtube.com/watch?v=RxImCg6Dhn8](http://www.youtube.com/watch?v=RxImCg6Dhn8))

ment. Internal audit can look at processes — uncovering risks, failures, and inefficiencies — as well as organizational effectiveness as measured against established benchmarks.

The key features of a revenue-focused IG are to have it be operationally independent of the tax administration, have investigative authority, and to have the capability to conduct not just investigations but also internal audits, Valverde said.

One of the first internal audits the ITRC conducted was to look at the tax administration's ability to handle implementation of a new social welfare tax. The audit showed that in fact, the tax administration did not have the informational and other infrastructure necessary to support the tax.

In addition, showing the interplay between internal audit and investigation, the audit showed that an IT official had shut down firewalls for several days, leaving

the system vulnerable to unauthorized access. The information led to an investigation, which resulted in the firing of the official. Likewise if the ITRC receives a tip-off about a corrupt official, that could in turn trigger an audit to examine the weaknesses that led to the opportunities for corruption.

Investigations are conducted by teams comprised of an attorney, a fully trained and certified investigator, and a group of junior investigators. This permits the attorney to address the legal aspects of the investigations

and the certified investigator to provide overall leadership. With adoption of this model, investigations, which used to take six months, now take only weeks, and closing investigations, which took five years, now takes six months. To date, the ITRC has closed 263 cases, with 20 referrals for prosecution and 16 employee dismissals.

As part of its governing statutes, the ITRC must provide an annual report of its activities to Congress and the public, as part of its commitment to transparency. The government also launched a media blitz to kick off the establishment of the ITRC. They developed brochures, spots for TV and YouTube (see link above), and made presentations on their mandate to the tax administration, ministry of finance, and business leaders. The effort received an "overwhelming" response from the private sector as the message was "your days of paying bribes are over," Valverde said. □



## From the Director

I'M BACK from Sierre Leone where I enjoyed the company of Ed Roche (Debt) and Mike Ablowich (Budget) and was once again awed by the abilities of our advisor corps.

For all the good work we do out in the field, I would be remiss if I didn't tip my hat to staff back here at OTA home base. As you know we have been engaged in multi year process to update our financial system and overhaul our business practices. On top of the stress from changes due to the business process reviews, our finance staff, HR staff, program officers and ADs have had to deal with a perfect

storm of externally-generated problems related to the conversion to a new financial system, delayed appropriations, and accounting issues that have multiplied the normal work load by two or three times. With few exceptions, because of the perseverance of the staff we have been able to get advisors into the field, pay salaries, process vouchers and keep our reputation for excellence.

The Business Process Review should be wrapped up by September. We have two work groups – payroll and travel – coming up over the next few months which will directly affect advisors. In each case our outside vendors will be bringing new systems on line. We intend to run our work

groups in parallel to the conversions so we can take full advantage of the new technology. We will be looking for ways to bring advisors into the process as well as tighten up and standardize rules.

Finally we will be converting our email system to Microsoft 365 in the coming weeks. This is an elegant and powerful system that advisors will like. Having said that I know there are advisors who like to use other email services. However, due to federal archiving requirements, without exception, all OTA email use including your work with counterparts must use this email address.

—OTA Director Mike Ruffner

## From the DAS

I'd like to pick up on some of the themes in the ADs' look at 2014 – in particular the theme of innovation as it applies to funding and program issues.

Regarding funding, we now have greater clarity about the TIATA component of our overall financial picture for the coming two years. A flat funding line is rarely a cause for celebration, but in the current environment, and considering the very plausible alternatives, it is cause for a brief sigh of relief, followed quickly by a deep breath as we redouble our efforts to secure funding from non-TIATA sources. OTA management will be working hard to build upon some innovative and encouraging funding

efforts, for example the E-Crimes team success in obtaining funding from State's Bureau of Immigration and Law Enforcement (INL) and the Budget Team's partnership with MCC for work in Honduras.

When funding is tight, sometimes the reaction is to retrench in terms of program activities. In my view, that would be a mistake. While we should remain well-grounded in our core areas of expertise, we should also be open to working in important related areas – especially when they come with funding. As Debra von Koch and Laura Trimble note in their articles, the Debt and Budget teams are collaborating to develop (and obtain funding for) a sub-specialty in building capacity to strengthen management of sovereign wealth funds. As Paul Leonovich

notes, the Banking and Financial Services team continues to provide TA in historically core disciplines while responding to demand for TA in new areas, such as financial inclusion and financial sector stability.

While it is OTA management's responsibility to secure funding, to borrow a phrase from Bill Remington's column, advisors can (and do) help us meet that challenge. Your day-to-day work – providing excellent technical assistance, working well and professionally with your counterparts and other assistance providers (both USG and international) – helps OTA management as we make the case in Congress and elsewhere that an investment in OTA is money well spent.

—Deputy Assistant Secretary  
Larry McDonald

## OTA Contributes to Transparency Initiatives

OTA is involved in two efforts to improve the availability and accessibility of information regarding foreign aid. The program is a part of the U.S. Government's new website – [ForeignAssistance.gov](http://ForeignAssistance.gov). Along with other federal agencies, notably the U.S. Agency for International Development, Millennium Challenge Corporation, Department of State, Department of Defense, and Peace Corps, OTA will be publishing to the site on a quarterly basis the amount of money it spends on assistance to its partner countries. So far, the data includes only funds that OTA receives directly from

Congress. Beginning in 2014 the site will feature data on how OTA spends transfers from other agencies (e.g. money received from Department of State for Eastern Europe and Eurasia).

Since 2011, OTA has also participated in the Aid Transparency Index (<http://ati.publishwhatyoufund.org/>), an annual assessment of foreign assistance transparency among the world's major donors. The program's results have improved steadily as OTA has published more and better information on its website about

where the program engages (region and country), the type of assistance provided (e.g. strengthening banking sector supervision, improving tax audit, etc.), and the amount of financial resources dedicated to projects. For the latest survey, which was released in October, OTA was described as "one of the biggest improvers in the 2013 Index," ranking 19<sup>th</sup> out of 67 donors, the second highest of U.S. agencies after MCC and ahead of USAID, State and Defense departments, and the President's Emergency Plan for AIDS Relief. □

# Associate Directors Look at 2014

## *Economic Crimes*

### **Carol Kelley**

The ECT footprint for 2014 is expected to include 24 programs divided between seven resident and 17 intermittent programs aimed at improving counterpart anti-money laundering and counter terrorist financing (AML/CFT) regimes.

The total operating budget for the ECT programs will be approximately \$10 million, with only 20 percent coming from OTA's main Congressional appropriation known as TIATA and the rest coming from outside sources. Bolstered by reportable program outcomes tied to international standards and communicated to a broad interagency audience, the ECT will continue to leverage non-TIATA funding sources to contribute to program growth beyond Central America, the Caribbean and South America where fundraising has been most fruitful.

New sub-specialty offerings also will be available in the areas of asset forfeiture and management; value transfer systems, including money services businesses; regulation of designated non-financial businesses and professions that function as financial sector gatekeepers; and cross-border currency movement. On the policy side, the ECT will continue to play an active role – both within Treasury and the USG interagency process – to implement the 2013 Security Sector Assistance Presidential Policy Directive, which is designed to align technical assistance activities and resources with national security priorities.

## **Budget & Financial Accountability**

### **Laura Trimble**

For the Budget and Financial Accounta-

bility Team, 2014 will be a busy year for launching new projects. We have new Resident projects in the Dominican Republic, Djibouti, Mongolia and Paraguay that will begin this year. We will be partnering with MCC in Honduras which will allow us to start two new projects with the Honduran Secretary of Finance and the Budget Committee of the Honduran Congress.

On a programmatic basis our projects continue to be quite diverse, however, we see continued and growing demand for technical assistance in cash management, financial reporting and investment budgeting and management. Another potentially interesting and important area of future technical assistance with the Debt Team is in the area of sovereign wealth fund management and operations. Our two teams are currently collaborating on a proposal for Mongolia which could be a basis for future work in other countries.

This year Budget will also be looking to expand its geographical footprint in Africa and take advantage of funding available through the State Department's Energy Governance and Capacity Initiative (EGCI) for nascent energy producing countries. During 2014 we will be closing our project in Zambia leaving Ghana as our only Resident project in sub-Saharan Africa. Sierra Leone and Tanzania are EGCI priority countries we plan to visit as part of refocusing our efforts on this important region of the world.

Other projects that will end in 2014 are a successful project in Cambodia, accounting projects in Guatemala and Honduras, and intermittent purchasing projects in South Africa and the Dominican Republic.

## *Government Debt Issuance and Management*

### **Debra Von Koch**

2014 will be very active for GDIM. We will have 26 projects - 19 resident and 7 intermittent - working with counterparts to better manage sovereign debt, expand local currency debt markets, and finance increasing demand for infrastructure.

New projects include resident advisors in the Philippines Bureau of the Treasury to help increase government debt market liquidity; and in the West African Regional Central Bank (BCEAO) to stimulate greater local currency debt issuance throughout the 8-country currency zone.

Our footprint in East Africa continues to expand with the placement of a fourth resident in the five-country East African Community, where technical assistance supporting the development and harmonization of local debt markets and systems has been going on for several years. In late 2013, the EBRD funded our seconding of a GDIM advisor to support their work on developing local currency debt markets throughout the CIS region. In December 2013, the debt project in Indonesia closed after a very successful run, and our Senegal debt engagement downshifted to intermittent support. By mid-2014 several other engagements will be closed, including Albania, Guatemala and El Salvador.

By mid-2014 the Infrastructure Finance Team expects to transfer its resident engagement from Costa Rica to El Salvador to continue regional technical assistance, and to enhance our current level of effort in El Salvador which is heavily focused on a major airport expansion. The resident IFT projects in Peru and the State Department-funded project on renewable energy in Indonesia move into



their second successful years of operation. IFT will commence a new intermittent engagement with the public private partnership (PPP) unit in Paraguay, and will expand its intermittent support to the PPP partnership unit in Uruguay.

GDIM continues to seek opportunities to engage more broadly with U.S. Government initiatives such as Power Africa, and to support an anticipated increase in funding of infrastructure projects through the issuance of infrastructure bonds in the international capital market and in local currency bond markets. In addition, we plan to explore opportunities to develop sub-specialties within our program, to include such areas as subsovereign finance and sectoral infrastructure expertise, and to collaborate with other teams on new sub-specialties such as sovereign wealth funds (as mentioned by the Budget Team).

## ***Revenue Policy & Administration***

### **William Remington**

2014 appears to be the final year for a large number of projects: Lesotho, Colombia, Vietnam, Nigeria, maybe Liberia, and maybe Georgia. Paraguay and Malawi are new engagements, and two MCC-funded engagements will be carried out: in the Philippines OTA will be proposing a large project involving HR, contact center support, internal audit and returns processing, and in Guatemala a project to identify policy and administrative means for mobilizing more domestic revenue. Overall, though, to keep the status quo of Revenue activity in 2015, we need to identify solid counterparts with concrete needs that merit support.

The past decade has produced dramatic improvements in most developing countries' tax administration, and TA demands have become more specific and specialized. In connection with this, OTA

plans now include funding a resident customs advisor in Ghana and a proposal for the same in Georgia.

Our aging workforce will inevitably continue to experience attrition as advisors experience health concerns or simply want to retire. OTA / Revenue has managed to build an advisor force that brings world-class expertise to developing tax administrations. To continue to do so, we need to place increased emphasis on building a cadre that can step in when lead advisors decide to retire.

Last, we need to work well with others, emphasizing "well" and "with others." By doing good work and letting it be known, we can better connect with our technical assistance colleagues (by the way, not to be considered competitors) and, by doing so, learn of assistance needs in countries we have never considered and strong advisors that OTA can recruit.

Advisors can help meet these challenges and turn them into opportunities. Put simply, expect sharper focus on measurement of results and deeper but narrower assignments; work closely, socially and professionally, with other providers to identify prospective clients and advisors; and identify individuals with strong expertise and the appropriate personality for advising in developing countries you feel confident recommending for bench-building. If advisors do these things, OTA / Revenue will remain a provider countries turn to for advice and assistance.

## ***Banking and Financial Services***

### **Paul Leonovich**

2014 will be a year of growth for the Banking Team, with new projects launched in the Philippines, India, Angola, and Zambia and a significant expan-

sion of BFS's Latin America and Caribbean Financial Inclusion Initiative (LACFII) and East African Community (EAC) initiative.

While BFS continues to provide technical assistance in the historically core BFS disciplines of banking supervision, deposit insurance system development, problem bank resolution, monetary policy, and problem asset management and disposition, we have seen a tremendous increase in the demand for technical assistance in other areas, including financial inclusion, insurance company supervision, financial stability, as well as specialized IT projects, including payment system and central bank core system development.

In Latin America, increased demand for technical assistance in improving financial inclusion will lead to the placement of a 2nd regional advisor to help the incumbent regional advisor manage the demand for TA in this growing area. In Kosovo, the Banking Team is entering the 3rd year of a very successful project in insurance sector supervision capacity building at the Central Bank of Kosovo. BFS is providing technical assistance the Central Banks of Tanzania and Burundi in the modernization of their core banking and payment systems. In the Philippines, BFS is assisting the central bank in a critically needed IT infrastructure overhaul.

The demand for work in these specialized IT projects has also led to the rollout in 2014 of a global central bank operations and information technology project, which will enable BFS to quickly respond to technical assistance requests these new areas. 2014 will also see the continuation of a global financial stability project first launched in late 2013 that will seek to provide technical assistance to central banks and other financial sector regulators in the area of financial system stability with a focus on preventing future financial crises rather than addressing such crises after they occur. □

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