

## Technical Assistance Programs

<b>FY2002 Appropriation</b>	<b>FY2003 Request</b>
\$6.5M	\$10.0M
\$3.0M [ERF supplemental]	

For FY2003, the Administration requests \$10.0 million for Treasury International Affairs Technical Assistance (TIATA) programs. This level of funding will allow us to:

- Continue and prudently expand existing multi-year programs in South Africa, the West African Economic and Monetary Union (WAEMU) in Senegal, the East African Community in Uganda, Kenya and Tanzania; Thailand, Nigeria, Chad, Turkey, and Colombia.
- Continue existing financial crimes law enforcement programs in Peru, Malaysia, and South Africa, and anti-terrorist programs in Ethiopia, Uganda, Kenya, Tanzania, select countries in the Middle East, as well as Pakistan, Afghanistan, and others.
- Continue and prudently expand anti-terrorism enforcement programs in those priority countries identified in the inter-agency review process as high risks for terrorism funding.
- Support further development of Treasury technical assistance programs currently under consideration for initial funding with FY2002 resources in countries including: Ghana, Guinea, Indonesia, Angola, Philippines, Ecuador, and Guatemala.
- Conduct assessment missions and evaluate project implementation efforts in other countries in which the U.S. has critical foreign policy interests and that have expressed an interest in receiving such assistance.

The request for appropriations is independent of the monies Treasury receives from USAID under the Support for East European Democracy (SEED) Act, which funds work in Central and Eastern Europe (CEE) and the FREEDOM Support Act (FSA), which funds work in countries of the former Soviet Union (FSU).

### Key Facts

- Since 1991, Treasury has been providing technical assistance in CEE and the FSU.
  - Many of the lessons learned during this decade of work in the economic reform process are directly applicable to other transition economy countries throughout the world.
  - Treasury presently has projects in CEE that include work in Albania, Bosnia, Bulgaria, Czech Republic, Croatia, Macedonia, Romania, Serbia, and the Slovak Republic.

- Treasury presently has projects in the FSU that include work in Armenia, Georgia, Kazakhstan, Moldova, Russia, and Ukraine.
- In FY1999, Treasury received an initial \$1.5 million funding under TIATA, supplemented by a \$2.0 million transfer to Treasury from USAID.
  - Utilizing the FY1999 funding, Treasury established resident advisory missions in WAEMU, Thailand, and Colombia. A major intermittent project was initiated in South Africa.
- In FY2000, Treasury received \$1.5 million funding under TIATA. Almost all FY2000 TIATA funding supported commitments to existing projects and a limited amount of new project assessment work.
- In FY2001, Treasury received \$6.0 million in funding under TIATA.
  - Utilizing the FY2001 funding, Treasury continued resident advisory missions in WAEMU, Thailand and Colombia. In addition, the FY2001 appropriation funded resident or intermittent base projects in Malaysia, Peru, Nigeria, Egypt, Indonesia, and El Salvador.
  - Preparatory work also was done toward introduction of resident advisory missions in Turkey, Angola, Uganda, Kenya, and Tanzania.
  - Under Treasury's plan for FY 2001, the area of greatest activity was Sub-Saharan Africa. Treasury committed \$3 million, or half of the total TIATA funds received, to this geographic region. These funds combined with \$3.9 million contributed by other donors to create a combined leveraged program budgeted at \$6.9 million.
  - In FY 2001, Treasury also received a reimbursement transfer of \$350,000 from the Government of Venezuela to provide them with technical assistance in the government debt management area.

## **Program Mandate**

In operation since 1991, Treasury's Office of Technical Assistance provides expert advisors to countries in Central and Eastern Europe and the former Soviet Union utilizing funds provided through the SEED Act and FREEDOM Support Act. Beginning with the initial appropriation from Congress in FY1999, Treasury created the TIATA program and expanded the reach of its technical assistance operations to include a select and limited number of countries in Asia, Africa, and Latin America.

In all of its technical assistance activities, Treasury engages those countries whose governments committed to economic policy reform and private sector growth. Treasury's advisory assignments are accomplished through resident or intermittent advisors who work with identified senior management level counterparts in Ministries of Finance, Central Banks, or related

agencies in host countries. Advisory assignments are limited to five core areas of government policy and management where Treasury has specialized expertise. These include:

- Budget policy and administration;
- Tax policy and administration;
- Financial institutions policy and regulation;
- Government debt issuance and management; and
- Financial crimes law enforcement.

Treasury's technical assistance is coordinated with the International Financial Institutions (IFIs). Projects are frequently designed to assist countries in meeting "conditionality" requirements under IFI loans. In addition, Treasury projects are coordinated with the State Department and USAID headquarters in Washington, D.C, and missions in client countries. Enforcement programs are coordinated with State/INL.

Treasury is presently in the process of analyzing projects in Asia, Africa, and Central and South America as potential recipients of funds provided in FY2002 under TIATA. Among the candidates for funding are a number of small Treasury technical assistance projects presently funded through separate inter-agency agreements with USAID that operate in South Africa, Nigeria, Egypt, Jordan, Indonesia, Thailand, El Salvador, Uganda, Morocco, and Colombia. These projects total approximately \$4 million, and use of FY2002 TIATA funding will permit these efforts to continue and, where prudent, to expand in scope.

Several new projects also are under consideration to receive initial funding from FY2002 TIATA resources, including promising projects in Malaysia, Peru, Turkey, Angola, Ghana, Guinea, Ethiopia, Uganda, Kenya, and Tanzania.

In FY2003 Treasury intends to utilize TIATA funding to extend previously initiated multi-year projects. Treasury also will consider new projects in other countries, where counterparts are committed to an economic reform agenda, and in areas where Treasury has appropriate expertise. Historically, Treasury has received more requests for new technical assistance projects than can be funded with existing resources. All requests are evaluated closely to ensure that they advance the overall objectives of the Treasury technical assistance program and U.S. foreign policy.

### **Program Achievements in 2001**

Treasury's TIATA program achievements included key actions in all areas of its mandate:

#### *Budget Technical Assistance*

- South Africa: Passage of a national exchequer act.
- Chad: Compliance with HIPC initiative in establishing financial controls on petroleum revenue derived from the Chad-Cameroon oil pipeline.
- Senegal: Established system of program budgeting in Ministries of Health and Education.
- Ukraine: Publication of 2002 Budget in Brief.

### *Tax Technical Assistance*

- Romania: Initiated new tax project to develop a new fiscal code, the first in Romania since 1937.
- Bosnia: Passage of new tax administration law.
- Russia: Assisted in the design and restructuring of the Ministry of Taxation; resolved issue of taxation of foreign assistance.

### *Financial Institutions Technical Assistance*

- Federal Republic of Yugoslavia/Serbia: Successful rehabilitation of four large banks and dissolution of three bankrupt banks by the Agency for Deposit Insurance and Bank Rehabilitation.
- Turkey: Developed risk management and internal controls for bank examination.

### *Government Debt Technical Assistance*

- Armenia: Development of primary and secondary government securities markets, the first country in the former Soviet Union to do so.
- Indonesia: Prepared the primary and secondary markets for the very large bank recapitalization bond refunding requirements concentrated in 2003-2010.
- Romania: Restored access to the external capital markets evidenced by an upgrade in international credit ratings.
- Egypt: Assisted in the adoption of a primary dealer system.

### *Enforcement Technical Assistance*

- Guatemala: Passage of an anti-money laundering law.
- Indonesia and Malaysia: Assisted in drafting of their anti-money laundering laws.
- Peru: Assisted in the implementation of anti-counterfeiting measures and the establishment of an investigation unit in the Central Reserve Bank in these efforts.

## **Current Programs**

Treasury is currently providing technical assistance on a global basis to nearly 40 different countries. Examples of current programs include:

- Malaysia: Assisting the Central Bank with draft anti-money laundering legislation.
- Albania: Completing the privatization of the state-owned bank.
- Senegal: Improving budget transparency, including use of HIPC debt reduction savings.
- Chad: Establishing a transparent budget for oil revenues generated by Chad-Cameroon pipeline.
- Ukraine: Publication of FY2002 Budget in Brief.
- Turkey: Assisting the General Directorate of Revenues in revenue estimation; managing bank resolution, restructuring and liquidation.

- Serbia: Assisting the Bank Resolution Agency in establishing policies and procedures to manage insolvent banks.

### **Supporting U.S. Objectives**

- Counter Terrorism and Anti-Corruption: Treasury technical assistance has had an active financial crimes law enforcement program since 1997, providing assistance in the areas of money laundering and anti-corruption. Anti-money laundering laws have been drafted and/or enacted in El Salvador, Peru, and Malaysia; and a financial intelligence unit has been established in Bulgaria. Since the terrorist attack on September 11, Treasury has aggressively addressed the issues surrounding international terrorist financing and expanded its traditional anti-money laundering programs to include asset identification and tracking of terrorist organizations. Missions have already begun in Albania, Turkey, Ethiopia, Uganda, Tanzania, and Kenya. Assessments are scheduled immediately after January 2002 for Pakistan, Kuwait, Qatar, Saudi Arabia, and other countries in Africa. Initial missions have been highly successful, and continued long-term assistance has been requested by several countries to sustain current rule of law, enforcement, and regulatory systems to prevent further transnational financial crimes and terrorist funding.
- Economic Policy Reforms: Technical assistance is undertaken as part of the Treasury Department's responsibilities in the conduct and coordination of U.S. international financial policies. Treasury's use of financial experts as resident or intermittent advisors in support of these responsibilities has a proven track record of success in countries where advisors have been assigned. Working side by side with the IFIs, Treasury advisors help governments implement the reform and adjustment measures associated with the broad policy goals that the U.S. seeks to advance, including private sector-led economic growth, transparent public finances, and sound commercial banking systems.
- Effective Collaboration: Treasury technical assistance has always been rendered in a cooperative and collaborative manner. Most of the funds received for the programs are transfers from USAID, State Department, or host governments. Interagency Agreements governing the transfer of funds requires collaboration with the donor agencies, and Treasury has complied readily in order to provide the most effective assistance. Enforcement programs require collaboration with other government entities such as Department of Justice, State Department/INL, and other enforcement bureaus to harness the broad expertise necessary to carry out its mission. All programs coordinate with USAID missions and the US Embassy in-country and all are subject of Chief of Mission authority.