

TREASURY INTERNATIONAL PROGRAMS Justification for Appropriations

FY2008 BUDGET REQUEST



U.S. DEPARTMENT OF THE TREASURY



TREASURY INTERNATIONAL PROGRAMS
Justification for Appropriations
FY2008 Budget Request

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DEPARTMENT OF THE TREASURY
WASHINGTON

Increasing economic growth and safeguarding financial stability around the world are core goals of U.S. international economic policy. The Department of the Treasury's International Programs—U.S. participation in the multilateral development banks (MDBs), debt restructuring programs, and technical assistance programs—play critical roles in support of these goals. A prosperous global economy that provides opportunities for people to rise out of poverty, improve their living standards and contribute positively to their respective societies' well-being is squarely in the interest of the United States. It provides export opportunities for American firms, reduces the threat of destabilizing financial crises and diminishes the conditions under which the proponents of terror can breed and flourish. The Administration's FY2008 budget request serves all these ends by supporting programs which help countries develop better policies for private sector growth and poverty reduction, implement debt relief initiatives that free the world's poorest countries from crippling debt burdens, and fund technical assistance programs that promote sound, stable, well-managed economies.

Through U.S. leadership, the MDBs have been making progress on a serious and ambitious set of reforms that strongly support the President's international policy priorities—promoting private-sector led growth, reducing poverty, fighting corruption, and assisting post-conflict countries in rebuilding their war-torn economies. MDB managements have improved the transparency of their activities, the measurement of their results and the investigation of corruption. Allocating resources based on country performance has strengthened incentives and made development assistance more effective. The landmark Multilateral Debt Relief Initiative—under President Bush's leadership—will help break the lend-and-forgive cycle that has characterized much of past development assistance.

There has been significant progress on this reform agenda, yet when more than 1 billion people still live in extreme poverty on less than \$1 per day, much remains to be achieved. We remain committed to efforts to deepen and strengthen reforms in both the institutions and the countries themselves in order to continue to demonstrate in an open, accountable way the concrete results of programs funded with taxpayer dollars.

I am pleased to submit for your consideration our justification for the President's FY2008 request of \$1.731 billion for Treasury International Programs. I ask for your support for the resources needed to fulfill our objectives, and stand ready to provide any further information you may request. My staff and I look forward to working with you.

Timothy D. Adams
Under Secretary for International Affairs







TREASURY INTERNATIONAL PROGRAMS

(Table 1) Summary of Appropriations and Requests
Treasury International Programs

FY2006-FY2008 (\$ in millions)

	FY 2006	FY 2007		FY 2008		
	Approp.	Total Request	Continuing Resolution-Enacted Rate	Annual Commit.	Arrears Request	Total Request
Multilateral Development Banks (MDBs):						
World Bank Group						
IBRD	0	0.0	0.0	0.0		0.0
IDA	909.1 ¹	950.0	940.5	950.0	110.0	1,060.0
MIGA	1.3	0.0	0.0	0.0	1.1	1.1
IFC	0.0	0.0	0.0	0.0		0.0
Global Environment Facility	79.2	80.0 ²	79.2	80.0	26.8	106.8
Inter-American Development Bank						
IDB	0.0	0.0	0.0	0.0		0.0
IDB/FSO	0.0	0.0	0.0	0.0		0.0
IIC	1.7	0.0	0.0	0.0	7.3	7.3
MIF	1.7	25.0	1.7	25.0	4.2	29.2
Asian Development Bank						
AsDB	0.0	0.0 ²	0.0 ²	0.0		0.0
AsDF	99.0	115.3	99.0	115.3	18.7	133.9
African Development Bank						
AfDB	3.6	5.0	3.6	0.0	2.0	2.0
AfDF	134.3	135.7	134.3	135.7	4.9	140.6
European Bank for Reconstruction and Development						
	1.0	0.0	0.0	0.0	0.0 ⁵	0.0
North American Development Bank						
	0.0	0.0	0.0	0.0		0.0
Int'l Fund for Agricultural Development						
	14.9	18.0	14.9	18.0	0.1 ⁶	18.1
Total MDBs	1,245.8	1,329.0	1,273.2	1,324.0	175.0	1,499.0
Debt Restructuring:						
HIPC TOTAL, of which:	44.6	} 182.8 ³	44.6			187.3
Bilateral Debt Reduction						
HIPC Trust Fund						
Tropical Forest Conservation Act (TFCA)	19.8		19.8			20.0
Total Debt Restructuring	64.4	182.8	64.4			207.3
Other Accounts:						
Technical Assistance	19.8 ⁴	23.7	19.8			24.8
TOTAL TREASURY INTERNATIONAL ACCOUNTS	1,330.0	1,535.5	1,357.4			1,731.1

Totals may not add due to rounding.

Note: The Continuing Resolution-rate Estimate is a full-year estimate based on the "Continuing Appropriations Resolution 2007" Division B of P.L. 110-5.

¹ In FY2006, \$940.5 million was appropriated, however, the enacted Continuing Resolution (P.L. 110-5) rescinded \$31.35 million of this amount.

² FY2007 budget requests for GEF and AsDB as amended.

³ The amounts allocated to each category of debt restructuring would be determined according to relative program urgency and need.

⁴ FY2007 Treasury Technical Assistance received a supplemental of \$13 million for Iraq.

⁵ EBRD arrears request is \$10,157.

⁶ IFAD arrears request is \$72,000.





TREASURY INTERNATIONAL PROGRAMS

(Table 2) Summary of Arrears
Treasury International Programs
Multilateral Development Banks
FY2000-FY2007*

(Budget Authority; \$ in millions)

ARREARS								
	end- FY2000	end- FY2001	end- FY2002	end- FY2003	end- FY2004	end- FY2005	end- FY2006	end- FY2007*
Multilateral Development Banks (MDBs):								
International Bank for Reconstruction and Development								
International Development Association	32.1	62.3	73.0	78.5	120.7	327.5	368.4	377.9
Multilateral Investment Guarantee Agency	6.0	6.0	10.9	9.3	8.2	8.2	6.9	6.9
International Finance Corporation								
Global Environment Facility	204.2	203.9	210.9	171.6	140.7	141.5	169.8	170.6
Inter-American Development Bank								
IDB Fund for Special Operations								
Inter-American Investment Corporation	9.0	9.1	16.1	22.8	47.8	47.8	46.1	46.1
Multilateral Investment Fund	98.8	88.8	88.8	64.3	39.5	28.6	26.9	50.1
Asian Development Bank								
Asian Development Fund	100.0	128.2	133.2	138.9	98.3	102.1	118.4	134.6
African Development Bank	1.0	0.0	0.0	0.0	0.1	0.6	2.0	3.5
African Development Fund		0.2	0.2	10.8	16.8	29.6	31.0	32.4
European Bank for Reconstruction and Development				0.2	0.4	0.7	0.0 +	0.0 +
North American Development Bank								
International Fund for Agricultural Development		0.0	0.0	0.1	0.2	0.3	0.5	3.6
TOTAL BUDGET AUTHORITY	451.1	498.5	533.1	496.7	472.7	687.0	769.9	825.7

Totals may not add due to rounding

* Based on full year appropriations under the Continuing Resolution (P.L. 110-5)

+ Less than \$11,000





U.S. Support for the Multilateral Development Banks

FY2007 Treasury Request	FY2007 Continuing Resolution- Enacted Rate ¹	FY2008 Treasury Request
\$1,328,968,416	\$1,273,218,720	\$1,498,950,000

“To overcome dangers in our world, we must also take the offensive by encouraging economic progress, and fighting disease, and spreading hope in hopeless lands. Isolationism would not only tie our hands in fighting enemies, it would keep us from helping our friends in desperate need. We show compassion abroad because Americans believe in the God-given dignity and worth of a villager with HIV/AIDS, or an infant with malaria, or a refugee fleeing genocide, or a young girl sold into slavery. We also show compassion abroad because regions overwhelmed by poverty, corruption, and despair are sources of terrorism, and organized crime, and human trafficking, and the drug trade.”

President George W. Bush, January 31, 2006

Overview

The multilateral development banks (MDBs) are central instruments in promoting economic growth and opportunity throughout the world. The MDBs serve a critical central organizing function in the international development architecture. The MDBs’ financial support and technical expertise have a positive impact on reducing poverty in developing countries and the MDBs’ long-term engagement with the developing world bolsters U.S. foreign assistance efforts and long-term U.S. strategic interests.

The MDBs have made substantial progress in recent years on a broad range of reforms to improve their effectiveness. They have become leaders in addressing corruption and improving governance in the developing world. They have helped motivate countries to improve the climate for private-sector investment and make critical investments in infrastructure. They are making diligent efforts to improve their ability to monitor and measure the results of their work. And the MDBs’ broad perspective on economic development is a vital complement to more specialized sources of finance and bilateral development agencies. While the MDBs are already among the most effective means of deploying development resources, the United States, as the largest shareholder, continues to push reforms for even greater effectiveness.

Many of the steps taken to date are due to U.S. initiative in promoting its reform objectives with MDB managements and building coalitions with other shareholders. The United States continues to pursue an aggressive agenda in the MDBs. Improving the MDBs’ ability to promote economic growth and reduce poverty in

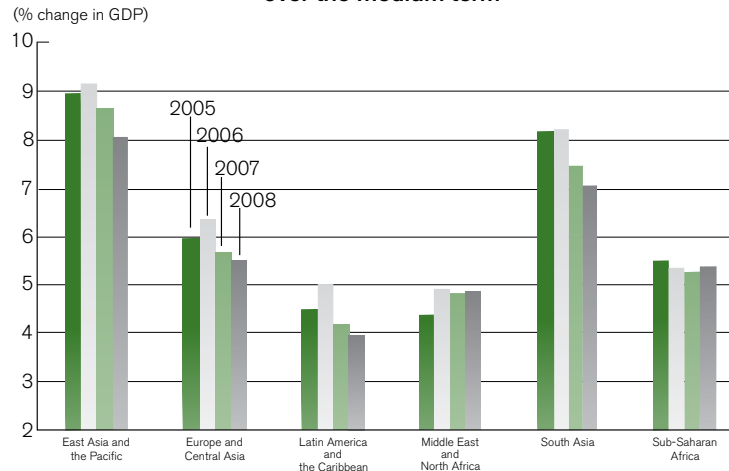
¹ The Continuing Resolution-enacted rate is a full-year figure under “Continuing Appropriation Resolution 2007,” Division B of P.L. 110-5.





an accountable way is at the core of this effort. Avoiding the mistakes of the past, when debt overhang and poorly designed assistance constrained poor countries' ability to grow and meet the needs of their citizens, is imperative. The MDBs must also be sufficiently nimble to respond to global priorities.

Figure 1: Growth, though tapering off, will likely remain solid over the medium term



Source: World Bank.

Despite impressive advances, growth remains uneven across the globe. This is largely due to differences in country policies, policies that the MDBs can help countries to improve. The MDBs must continue to improve their understanding of the drivers of growth and they must adjust the way they do business to improve their support for private activity.

The MDBs have demonstrated their ability to promote private sector-led growth, for example in **Senegal and Mali**, where the African Development Fund (AfDF) and private sector partners are financing the completion of missing road links between Dakar and Bamako, reducing transportation costs by cutting border crossing time from one day to two hours. Or in **Cambodia**, where International Development Association (IDA) funds are being used to setup small-scale water/sanitation providers who will devise water systems, financed by the private sector, that directly help poor families. By the end of the five-year project, it is estimated that 60% of the households in the targeted service area—approximately 100,000 low-income residents of provincial towns and peri-urban areas of Phnom Penh—will have access to safe drinking water and sanitation. The MDBs must continue their activities in this crucial aspect of their work.

Anti-corruption efforts within the MDBs have seen important progress in recent years. Performance-based allocation systems deliver MDB resources to strong performers, reduce risk, create positive incentives, and maximize the development impact of scarce resources. Most MDBs have established mechanisms to measure the results of their assistance. Challenges remain, however, and the United States continues its strong advocacy to extend and deepen these mechanisms and other key reforms. The MDBs must also continually challenge themselves to have clear and focused missions, and operational budgets that reflect those priorities.

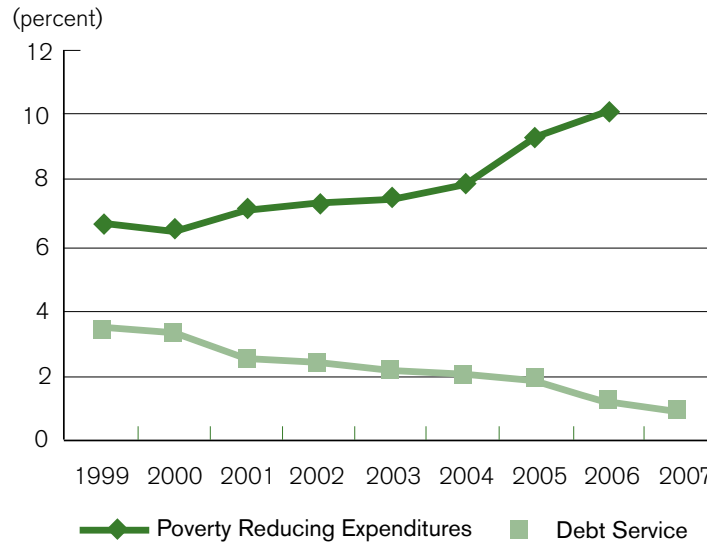
The Bush Administration has recognized that prohibitive and unsustainable debt burdens deter development and social sector investment and has placed debt sustainability at the core of its development agenda. The Administration has worked tirelessly with the G-8 and within the MDBs to reduce the debts of highly indebted poor countries and to put into place a framework to prevent the accumulation of unsustainable debt levels. The historic Multilateral Debt Relief Initiative (MDRI), which commits to providing up to \$60 billion in debt cancellation to approximately 42 highly indebted poor countries, has been successfully implemented in 21 countries. To date, these 21 countries have benefited from nearly \$44 billion in debt relief





under the enhanced Heavily Indebted Poor Countries (HIPC) initiative and an additional \$39 billion in debt relief under MDRI. In addition, recognizing that much of today's unsustainable debt levels were created by poor lending and borrowing decisions, the Administration has supported adoption of the Joint World Bank/IMF Debt Sustainability Framework to help guide lending and grant allocations.

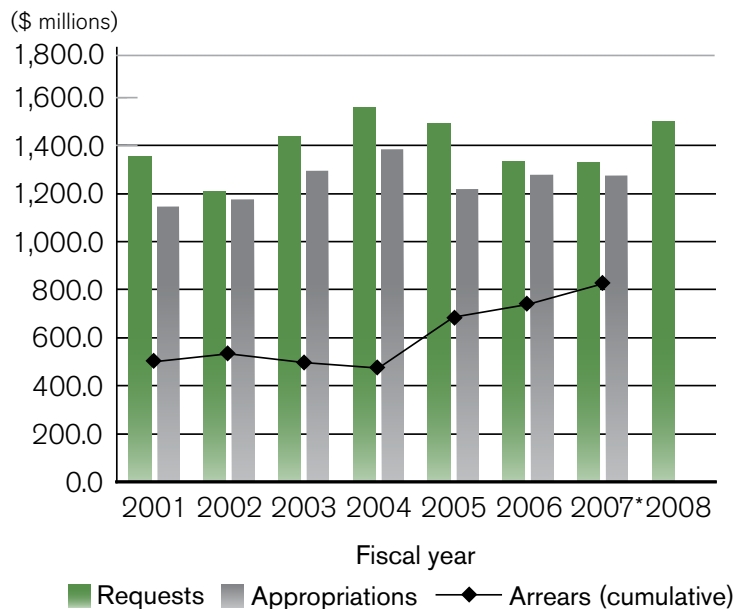
Figure 2: Poverty-Reducing Expenditures and External Debt Service for 29 HIPC Countries (Weighted average, % of GDP)



The MDBs are also effective instruments for advancing U.S. foreign policy goals. They have provided financial and technical support to fragile states such as Afghanistan, Iraq, and Liberia as well as other countries on the front lines of the war on terrorism. The World Bank and the regional development banks are uniquely positioned to respond to global and regional challenges—from avian flu and disaster assistance to combating HIV/AIDS. The MDBs have committed almost \$1 billion to address avian flu and have financed programs covering 21 affected countries. They have fought the financing of terrorism in over 100 countries, conducting 118 bilateral technical assistance missions in the past year.

The FY2008 funding request of \$1.499 billion is vital to ensure that the MDBs will continue to play this role and do more. This funding will enable the United States to retain its leading position in driving the MDBs' reform agenda. This request includes \$1.324 billion to meet scheduled annual funding commitments and \$175 million to begin to reduce U.S. arrears to these institutions, which will rise to \$825.7 million at the end of FY2007. Such arrears levels, which are unique among the MDBs major shareholders, cripple the U.S. capacity to lead on reform, effectiveness, and transparency at these institutions. They also impair our ability to steer resources to programs that support U.S. strategic objectives.



**Figure 3: MDB Requests, Appropriations and Rising Arrears**

* FY2007 appropriation figures are the Continuing Resolution-enacted rates.

Full funding of the FY2008 request is essential to secure the U.S. leadership position in the institutions and to meet the U.S. commitment to fund the Multilateral Debt Relief Initiative (MDRI)—a broadly supported Presidential priority—as scheduled.

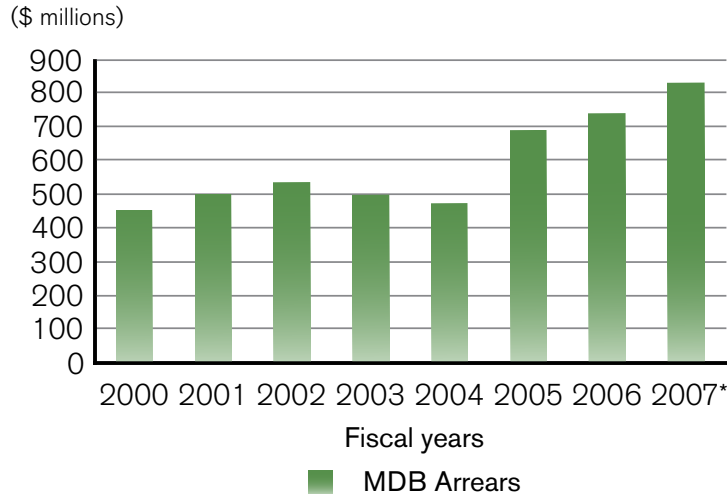
Box 1: U.S. Participation in the MDBs

U.S. contributions to the multilateral development banks (MDBs) are internationally agreed commitments to replenish the concessional resources or increase the capital of the institutions. The concessional windows of the MDBs—IDA, AfDF, AsDF along with the GEF, MIF and IFAD—are replenished by donor countries periodically, in three or four year cycles. These windows make highly concessional loans and grants to the world's poorest and least creditworthy countries. U.S. pledges reflect negotiated commitments secured from management and other shareholders to implement reforms to improve the institutions' effectiveness and results, most often proposed by the United States. After agreement is reached, authorization requests for U.S. participation in the replenishment, including the total amount of the U.S. pledge over the three or four year period, are submitted to Congress for approval, and each installment is subject to annual appropriations. The scheduled installments are included in the Administration's budget requests each year; any shortfalls in appropriated amounts result in U.S. arrears. As can be seen in Figure 4, U.S. arrears to the MDBs have grown substantially, rising to \$825.7 million at the end of FY2007.





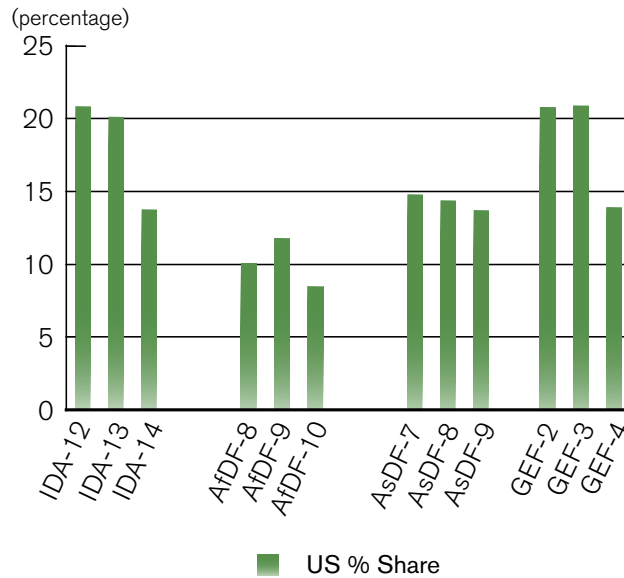
Figure 4: U.S. Arrears to the MDBs



* FY2007 figures are denoted by the Continuing-Resolution enacted rates.

The United States is the largest cumulative contributor to most of the MDBs, giving the U.S. sizeable influence in shaping the policies of the institutions. In recent MDB replenishments, we have secured agreement on an aggressive set of reforms, without major funding increases on our part. In fact, our share of replenishments has declined, as shown in Figure 5. However, our ability to extend this record is jeopardized by rising arrears and the growing international perception that the United States does not fulfill its international commitments.

Figure 5: Declining US Shares in Replenishments





Meeting U.S. commitments is especially important this year, at a time when several of these organizations are beginning to plan their next replenishment cycle—the time of key policy leverage—to maximize U.S. credibility in those negotiations. The financial leverage of U.S. funding in the MDBs is also considerable. Last year, the U.S. investment of \$1.3 billion catalyzed total assistance of roughly \$50 billion through all the MDBs.

Promoting growth: Supporting the Private Sector and Free Trade

The United States has long recognized the vital role of private-sector led economic growth, at home and abroad, in reducing poverty and improved living standards. Private sector flows have eclipsed official development assistance to developing countries, but the flows are uneven over time and from country to country. The MDBs can play an important role in creating the environments conducive to increasing and sustaining these flows. The poorest countries still need to do much more to attract needed levels of private investment, both foreign and domestic.

Investment and trade will play an important role in speeding growth in most developing countries. Reducing barriers to international trade through the Doha and WTO processes is therefore a key component of the U.S. development agenda. The MDBs have provided important support for these processes, by providing knowledge about the benefits of free trade and by helping countries meet the opportunity and manage the change that arises from freer trade.

Investments in human development help create the conditions necessary for a productive work force, one that is able to take advantage of opportunities for full participation in the economy. The MDBs have devoted considerable resources for technical assistance, knowledge and financing to help countries provide broad access to education and health services in their countries.

Speeding Private Sector-led Growth in Developing Countries

The private sector is the engine of sustainable growth in all countries. The MDBs have made working with countries to improve the prospects and productivity of the local private sector one of their core competencies. Their work spans the range of concerns facing the private sector: improving the enabling environment, strengthening financial systems and promoting financial access, improving the infrastructure for economic growth, and working with small businesses.

Enabling environments: All MDBs work closely with client countries to improve local enabling environments. Removing regulatory impediments to growth is vital. The MDBs work to improve legal and judicial systems, so that property rights and contracts are more predictable and enforceable. Fighting corruption is an increasingly central theme in all MDBs.

- To highlight the importance of investment climate and to promote reform, the International Finance Corporation (IFC) together with the World Bank, initiated the “Doing Business” project (<http://www.doingbusiness.org>), which has developed quantitative indicators on business regulations and their enforcement across 175 developed and developing countries that can be tracked and compared over time. The IFC has made improving the investment climate a key part of its Africa strategy and is using its Private Enterprise Partnership for Africa to encourage investment climate improvements throughout the region. Some of the most impressive results of the Doing Business project have been in streamlining business registration. In Lima, **Peru**, a municipal reform program resulted in a 420% increase in businesses registering in the first nine months of 2006.
- IDA’s ongoing work to improve macroeconomic stability, open up trade, strengthen financial systems and develop infrastructure greatly contributes to improving investment climates in countries. The IFC’s





Doing Business indicators are increasingly used in IDA's results-based country assistance strategies (CASs) and in IDA project monitoring. Reformers have simplified business regulations, strengthened property rights, eased tax burdens, increased access to credit and reduced the cost of exporting and importing.

- The Multilateral Investment Fund (MIF) plays a key role in the Inter-American Development Bank's (IDB) recently-launched Business Climate Initiative. The MIF will fund diagnostic assessments of country investment climates throughout **Latin America and the Caribbean**. During 2006, the MIF introduced a new cluster project, as part of its ongoing work on remittances. This cluster, "Inclusive Housing Markets in Latin America and the Caribbean" seeks to improve legal, regulatory and institutional frameworks to expand housing markets and access to finance for low-income groups.
- In **Pakistan**, the Asian Development Bank (AsDB) is financing a loan for small and medium enterprise (SME) development. In addition to policy development and technical assistance aimed at improving the business climate for SMEs, this program includes a partial credit guarantee facility managed by the AsDB's Private Sector Department to leverage market-based financing of SMEs.

Improving infrastructure: Infrastructure gaps are slowing growth in many developing countries. The MDBs have traditionally played a strong role in helping countries finance improvements in infrastructure, though they significantly scaled back in this area during much of the 1990s, anticipating that the private sector alone would be able to fund major infrastructure projects. After this proved not to be the case, the MDBs have begun scaling up their activity in recent years with active U.S. encouragement, particularly transportation infrastructure for access to markets and infrastructure to expand access to modern energy, water and sanitation facilities. However, current infrastructure needs are too large for international official finance to fill on its own. The MDBs need to broaden their engagement, so that in addition to providing direct finance they partner actively with private sector financial flows. The MDBs also counsel governments on how to develop, manage and regulate partnerships with the private sector. Finally, the MDBs have an important role putting in place safeguards to address and mitigate adverse social and environmental impacts of infrastructure investments and to help eliminate corrupt uses of the financial payoffs from infrastructure investments.

- African Development Bank President Kaberuka plans to step up the AfDB's engagement in infrastructure, estimating that over 50% of the Bank Group's new financing will be for this vital sector. The Bank has supported several projects aimed at strengthening public-private partnerships. In **Cameroon**, for example, an equity investment in the AES SONEL Post Privatization program will help improve access to electricity. About 50,000 new customers will be connected to the grid per year, reaching 1.5 million customers by 2021. In **Ethiopia**, the African Development Fund (AfDF) is financing a rural electrification project, which is targeted at more than doubling power production capacity between 2006 and 2020, increasing electricity access from 17% to 50%.
- The Asian Development Bank's (AsDB) equity investment in and partial credit guarantee for the **India** Dahej liquefied natural gas (LNG) terminal and re-gasification facility increased private sector participation in the energy sector, expanded and diversified India's energy supplies and increased use of clean fuels. As a result of AsDB's catalytic role, the private sector share in natural gas production grew from only 2% in 1997 to over 21% in 2005.
- After launching the Infrastructure Action Plan in 2003, the World Bank has scaled up infrastructure investments, reaching \$8.1 billion in FY2006 from \$5.5 billion in FY2002. Going forward, the Bank is committed to keep building up its support for infrastructure and expects to continue increasing lending at the rate of \$1 billion per year to reach \$10 billion per year, representing about 40% of new annual lending.

Working with small business: Small businesses often are the sources of the fastest growth, most jobs, and swiftest poverty alleviation. The United States has long advocated that MDB private sector lending should





reflect and accommodate the special characteristics of small businesses. High rates of business informality (unregistered businesses) can be a burden on the economy by limiting access to finance for these unregistered businesses, impeding their ability to expand and create new jobs, and reducing the tax base for government revenues. Levels of informality are generally high in developing economies. According to one study sponsored by the World Bank, informal businesses may account for 30% of GDP and 70% of employment in the developing world. The MDBs have responded with work to help countries understand informal enterprises better and reduce the costs of “going formal.” The MDBs work in legal sectors has had enormous impact on small businesses. Many MDB programs have also been developed to promote entrepreneurial skills.

Small enterprises in developing countries consistently cite lack of access to finance as a key impediment to their growth. As financial institutions, the MDBs can provide that finance directly at times, but more importantly, they work to develop systems that can sustain small businesses. The MDBs also leverage resources via financial intermediaries to improve performance in local financial sectors.

- The **Vietnam** Second Rural Finance Project, financed by IDA, directly supports the rural poor through micro-enterprise financing, helping farmers and their families in the Mekong Delta region increase agricultural productivity, helping communities gain access to clean water and sanitation services, and improving overall living conditions. About 90,000 economic entities will benefit from the project; 80,000 additional person-years of employment will be created each year; 500,000 additional tons of rice will be produced; and 280,000 people will have access to clean water.
- The African Development Fund (AfDF) approved a grant in 2006 to finance women’s entrepreneurship and skills development in **Mozambique** to provide 4,500 rural women training in both basic business management and agro-processing skills by 2009. The project also aims to reduce the amount of time rural households face food insecurity from three months to one month by 2009.
- MIF technical assistance will enable Banco Uno in **Nicaragua** and in **El Salvador** to “downscale” to small and microenterprise financing. The Banco Uno group takes a dynamic and innovative approach to serving low-income populations and is one of the first institutions to introduce credit cards to this segment in Central America.
- The IFC, which has a small and medium enterprise (SME) portfolio of over \$2 billion, is using its Private Enterprise Partnership for the **Middle East and North Africa** to launch a number of programs in the SME sector such as a business skills training program in **Afghanistan**, supporting small olive oil firms in West-Bank/Gaza, and small and medium enterprise management training in **Yemen**. The United States is the largest external donor to the facility.

Promoting International Trade and Investment

Trade and investment expose local markets to innovation and competition, provide opportunities for export, and allow comparative advantages to emerge. More open economies in developing countries also mean greater opportunities for U.S. commercial interests. For these reasons, the Bush Administration assigns high priority to bringing the Doha round to a successful conclusion as a central task in its international development strategy.

The MDBs provide important support for trade and investment. Financial involvement can take the shape of risk-sharing programs or direct financing. The MDBs also provide technical support to countries seeking to expand the role of trade and investment in their economies, in areas such as developing appropriate regulatory or certification systems, providing support for free trade negotiations and expert international arbitration services.





- Trade-related IDA lending has tripled over the past three years, rising to 6% of IDA's overall portfolio. IDA has financed the construction of border crossing points between countries of the **East African Community** and supported cross-national rail concessions in **Kenya** and **Uganda** to leverage private investment. Approved in 2006, the East Africa Trade and Transport Facilitation Project will reduce transport costs by 20%-35% through improved road infrastructure and reduced border crossing time.
- The World Bank is helping the government of **Mauritius** to adjust to changing trade preferences and decreasing competitiveness through a loan to improve the investment climate, reduce existing trade tariffs, and promote regional integration. The authorities expect to achieve these goals by decreasing the number of days to start a business through the creation of a one-stop shop for business, increasing labor market flexibility by allowing more foreign skilled workers, and moving towards a duty-free status in three years by eliminating 95% of all tariff lines.

Building Human Capacity through Investments in Education and Health Care

People need sufficient knowledge and skills, as well as adequate health care, if they are to become more productive. Workers without adequate education do not have the problem-solving skills to take on high-productivity jobs or to adopt new technologies to increase the productivity of the jobs they do have. The scourge of AIDS is inflicting an enormous toll on the populations and economies of the world's poorest countries, especially in sub-Saharan Africa.

- In the education sector, the World Bank has averaged about \$2 billion in annual lending over the past five years, representing nearly 10% of total lending. In addition to its own funding, the World Bank has been working to ensure that the Education for All-Fast Track Initiative (EFA-FTI) serves as an effective forum for coordination of scarce donor resources to meet the goal of universal primary school access. The United States is an active participant in EFA-FTI, working to strengthen its focus on education quality and results and on supporting capacity building and the policy environments where public, including donor, resources can be used most effectively.
- The focus of the MDBs and their partners in the education sector, including on eliminating school fees and other barriers to education, is also beginning to have a measurable positive impact on expanding children's access to school, although recent studies show that a greater focus is needed on learning outcomes, which we have been advocating.
- Each of the regional development banks fund major education programs in their respective regions. For example, a recently approved \$35 million education project from the Asian Development Bank for **Sri Lanka** aims to improve and expand the number of schools offering a full curriculum to secondary students for the first time in decades.
- In the health sector, over the last five years, the World Bank has committed over \$1.9 billion through grants, loans and credits to programs to fight HIV/AIDS. The Multi-Country HIV/AIDS Program (MAP) for Africa has made available nearly \$1.2 billion to 33 countries. In the Caribbean, the Bank has provided \$155 million through the Caribbean MAP to fight HIV/AIDS. The World Bank's Program of Action emphasizes five priority action areas: strengthening national HIV/AIDS strategies, making them more prioritized and evidence-driven and better integrated with national planning processes; sustaining funding for national and regional HIV/AIDS programs and measures to strengthen health systems overall; accelerating implementation of national plans; improving country monitoring and evaluation systems and building capacity to collect, analyze and use data; and generating and sharing knowledge, through evaluations and other analytic work. The Bank is a founding sponsor of UNAIDS, the Joint United Nations Programme on HIV/AIDS, and serves on the Board of the Global Fund to Fight AIDS, Tuberculosis and Malaria.





- The Asian Development Bank (AsDB) is supporting HIV/AIDS prevention and control programs both at the regional and country level, including in ten small Pacific Island countries that often have limited sources of donor financing. Besides stand-alone projects, the AsDB has approved a first batch of sub-projects financed by the HIV/AIDS Trust Fund, funded by the Government of Sweden. The AsDB has supported education and prevention programs, programs in ethnic minority communities, and efforts to strengthen the focus on gender and engagement of civil society. At the 16th International AIDS Conference held in Toronto in August 2006, the AsDB signed a joint statement with other multilateral and bilateral development agencies to address the global HIV/AIDS crisis in the infrastructure sectors, to strengthen cooperation, to increase the scale, scope and effectiveness of future infrastructure interventions for combating AIDS in developing countries.
- The African Development Bank (AfDB) continues to place high importance on helping member countries through HIV/AIDS prevention and control activities in sector projects and programs, as well as by promoting stand-alone country-specific and sub-regional initiatives. Activities being supported cover: (1) institutional capacity building through assistance to policy/strategy formulation and implementation; (2) human capital development; (3) prevention and control activities that include communication, voluntary counseling and testing; (4) and establishing laboratories and blood transfusion facilities, and provision of equipment and supplies, including anti-retroviral drugs. To date, the Bank's contribution in the fight against HIV/AIDS is estimated at over \$750 million. The AfDB is also among the initiating partners of *AIDS in Africa—Scenarios for the Future*, a project that will enable governments and development partners to make strategic choices and define their activities accordingly.

Strengthening Accountability for Development Results

The Bush Administration has worked hard with the MDBs to strengthen their accountability and effectiveness. Its strategy includes: boosting transparency; improving the MDBs' culture of managing for development results; establishing mechanisms to counter corruption within the MDBs, in countries and in MDB-funded projects; and rewarding strong performers with greater resources. The MDBs can promote accountability, such as in **Indonesia**, where IDA supported a project to establish community self-governance mechanisms to respond to local needs and reduce corruptive activities and in **Afghanistan**, where the Asian Development Fund (AsDF) provided financing to facilitate the preparation of institutional risk assessments to mitigate corruption in the transportation and energy sectors.

Boosting Transparency

Increasing the disclosure of MDB operations and processes is a core element of the U.S. strategy to strengthen MDB accountability. The United States has led the MDBs to take important steps in this regard, including key policy goals reflected in U.S. legislation.

- IDA has encouraged governments around the world to require senior public officials to disclose income and assets. In the first six months of 2006, **Cameroon**, **Liberia**, and **Kyrgyzstan** all instituted disclosure requirements, bringing to 103 the number of World Bank clients with these requirements.
- The International Finance Corporation (IFC) approved a new disclosure policy in 2006 that provides for, among other things, disclosure of the minutes of the Board of Directors meetings, quarterly financial statements, the annual budget and business plan, and additional information on project proposals and donor-funded technical assistance programs.
- The World Bank Group, including the IFC, have been actively supporting the Extractive Industries Initiative (EITI), which is working to increase transparency and accountability of extractive industries revenues. The World Bank Group has been advising the EITI secretariat on the future institutional ar-





rangements, and helping participating countries adopt EITI standards. All private sector sponsors in IFC and EBRD extractive industries projects are required to publicly release their material project payments to the host government.

- The International Fund for Agricultural Development (IFAD) has recently revised its information disclosure policy and will now release all Board documents to the public at the same time that they are distributed to the Board of Directors.
- As part of the Asian Development Fund's eighth replenishment agreement, AsDB management agreed to implement more transparent and forward-leaning disclosure and public communications measures and adopted a new public communications policy that meets or exceeds a number of standards for transparency and disclosure provisions in place at other MDBs. The new policy requires publication of minutes from all Board meetings, draft country strategies and programs, updates on project implementation and annual reports on results of investigations regarding fraud and corruption.
- At the African Development Bank (AfDB), prospective project briefs for public sector projects are disclosed at least six months prior to presentation of these projects to the Board of Directors, while all draft policy and strategy papers are released via the AfDB website at least 50 days prior to Board presentation. For the first time, the Bank will post on its website in early 2007 indicators and results of projects under implementation and completion.

Managing for Results

The United States has made substantial progress persuading the MDBs to establish systems to monitor and measure results, reflecting the management dictum that what gets measured gets done. However, the MDBs must continue to translate their commitments into organizational change and development results. The United States will continue to push this agenda forward at many levels—so countries have the data systems to understand and analyze their policy options; so project stakeholders and managers can track project implementation and learn from the results of similar projects; and so MDB shareholders and managers can count on resources being invested efficiently and effectively.

At the institutional level, the MDBs are working to manage their business for better results and to better evaluate their own work:

- The World Bank's measurable results initiative is showing progress. The Bank has required its divisions to sign performance contracts which lay out an overarching mission, specific outcomes they are pursuing to reach this mission, and how they will use their resources to secure these outcomes. The Bank then links future resource availability to performance against these contracts.
- The Multilateral Investment Fund (MIF) is committed to working with the IDB's independent evaluation department to adapt the Project Evaluability Assessment Tool for MIF projects before and after completion to assess their effectiveness, develop measurable indicators, their contribution to private sector development, and key lessons learned.

At the country level, we have seen improved measures of the impact of new policies and MDB interventions on national indicators, and redoubled efforts to build country capacity to manage for results:

- The World Bank's pilot for results-based Country Assistance Strategies (CASs) has now been mainstreamed so that all country strategies now provide a holistic view of what World Bank engagement will accomplish, incorporate indicators to measure progress at the country level and include inputs from all





parts of the World Bank Group. For example, **Peru's** CAS approved in December 2006, lays out specific tasks to be undertaken in order to support fiscal management, competitiveness, and rural transportation. Examples of specific results in the CAS include: simplifying and improving tax collection, expanding e-governance procedures, and instituting performance-based budgeting.

- Small MDB interventions can have significant impact building country level capacity to manage for results. For example, last year **Tajikistan** borrowed \$1 million from the World Bank. These funds will be used to increase the reliability and timeliness of national statistics measuring the health sector, labor, macroeconomic indicators, and budget preparation and compliance.

Finally, *at the project level*, the MDBs have become much more explicit about the development results that shareholders and borrowers can expect:

- An IDA financed Rural Water Sector Program in **Madagascar** helped strengthen the capacity of communities, non-governmental organizations (NGOs), and the private sector to provide and expand sustainable and cost-effective water coverage. Roughly 220,000 people now have access to safe water, compared to fewer than 50,000 in 2001. In addition, 95% of the installed systems, which are maintained and managed by local stakeholders, were found to be functioning well three years after installation.
- An AfDF loan to **Kenya** will support smallholding farmers, aiming to reduce the project population living in poverty from 56% to 26% in 2010, while raising average net farm income ten-fold. The project has many specific targets and deadlines for building the required infrastructure and irrigation systems and for training the relevant smallholding farmers, 40% of which are women.
- A Global Environment Facility (GEF) urban transportation project in Jakarta, **Indonesia**, approved in 2006, should cut greenhouse gas emissions by over 30 million tons and lead to a 30% increase in passengers switching from private automobiles to buses.
- An IDA grant to **Rwanda** has successfully helped the country create a framework for prevention, treatment, and mitigation to combat HIV/AIDS. The HIV/AIDS multi-sector project, approved in 2003, has exceeded its targets and Rwanda has requested additional grant funding to consolidate the gains and plan for their sustainability. The project has resulted in HIV testing for 440,000 individuals, distribution of 11.5 million condoms, health insurance to 52,000 households, and support for income generating activities for some 100,000 individuals. HIV/AIDS awareness increased beyond the target of 33% of women to 51%, and antiretroviral treatment was provided for 5,000 patients compared to a target of 3,000. In addition, the project has expanded access to AIDS care to rural areas where the majority of Rwandans live on less than \$1 per day.



**Box 2:** Results: MDBs Environmental Safeguard Policies

All the MDBs have a set of robust environmental/social safeguard policies in place. The major focus is now on consistent implementation. The MDBs have continued to consolidate and harmonize their environmental and social policies and procedures. Recent relevant progress includes the following:

- The IFC completed revising its environmental and social safeguard policies;
- The AsDB initiated a safeguard policy review;
- The World Bank completed revising its policy on indigenous peoples;
- The IDB began public consultations on an environment/safeguards compliance policy; and
- The AsDB, EBRD, IDB and World Bank used inspection mechanisms to investigate charges in several cases.

The greatest potential for structural change in how MDBs and borrowing countries address environmental issues is through mainstreaming in MDB projects as well as expanding the use of MDB-developed environmental safeguards in privately-financed projects. As shareholders emphasize development effectiveness and measurable results, MDBs have come under pressure to mainstream environmental considerations across lending sectors. Examples of mainstreaming initiatives include transportation projects that support clean air programs and market-based mechanisms for maintaining environmental services. Recognizing that environmental and social outcomes are often better when affected communities participate in project design, the MDBs have continued to make progress in consulting with affected communities and with civil society organizations.

Reducing Corruption and Improving Governance: in Projects, in Countries and in the MDBs

Fighting corruption is critical to helping countries achieve economic progress, promoting the kind of poverty reduction and development that can be sustained over the long term, and ensuring that governments are accountable to their citizens. MDB efforts to promote good governance occur at three levels. At the project level, the MDBs work to design projects that reduce the scope for corruption and that benefit from strong fiduciary standards and project supervision. At the country level, the MDBs focus on enhancing transparency and accountability of recipient country governance systems, and channeling MDB resources to countries that have the strongest records on good governance. Finally, at the institutional level, the MDBs have worked to improve internal governance evaluation mechanisms, including control processes for internal auditing, investigative mechanisms, whistleblower protections, and corporate procurement.

At the project level:

- Under President Paul Wolfowitz's leadership, World Bank governance lending increased from \$2.8 billion in the Bank's FY2005 to \$4.5 billion in FY2006. The World Bank is also developing a comprehensive strategy for fighting corruption and improving governance in client countries and within the institution.
- The World Bank has developed new techniques and processes through which it reviews its lending when governance concerns arise. These reviews have resulted in fraud and corruption investigations and debarment of firms. These reviews have also led to concrete changes in the way the Bank approaches countries and sectors, such as not lending into a particular sector or slowing future lending.
- Between July 2005 and June 2006, the Asian Development Bank (AsDB) investigated over 100 allegations of corrupt practices and conflict of interest and debarred 43 firms and 37 individuals.





- The AfDF approved a project to support public expenditure management in **Burkina Faso** designed to help build the government's internal controls and outreach to civil society, at both the national and local levels. The training and technical assistance will be a significant step towards raising best practices for good governance and increase the demand for greater transparency.

At the country level:

- Two World Bank projects in **Brazil** to improve the efficiency and control of procurement expenditures produced annual savings of roughly \$50 million per year, and work is underway to replicate the experience in **Peru, Guatemala, Panama** and **Ecuador**.
- The AfDB supports **Nigeria's** anti-corruption campaign. The Nigerian Commissions on Economic and Financial Crimes and Independent Corrupt Practices, developed with the help of the AfDB, pursued and removed high ranking civil servants on corruption charges.
- Recent government procurement reforms, supported by the World Bank, including the increased use of e-procurement in **Chile, Guatemala, India, Korea,** and **Mexico,** have significantly reduced the time and cost of public procurement, saving billions of dollars in public sector expenditures.
- IDA has increased its focus on capacity development for strengthening supreme audit institutions, operating independently, across a number of African countries, including **Cameroon, Ghana, Rwanda,** and **Zambia**.
- Corporate governance is an important component of the technical assistance provided through the IFC's private sector development facilities. For example, the IFC's corporate governance program in **Russia** has helped 2,000 companies improve their corporate governance practices through training, awareness programs, and advisory services.

At the institutional level:

- The World Bank also has adopted a new voluntary disclosure program (VDP) designed to uncover corrupt and fraudulent schemes in Bank projects through cooperation by firms. Firms will disclose information regarding past corrupt and fraudulent practices on Bank-financed projects in exchange for avoidance of Bank sanctions.
- The AsDB launched a new Governance and Anti-corruption Action Plan to improve efforts to fight corruption at the institutional and country levels. Under the requirements of the plan, borrowers will make public all contract awards.
- At the urging of the United States, the AfDB developed a Whistleblower Protections Policy that was approved by the Board in early 2007. We will continue to work with the AfDB to be sure that its provisions are effectively and consistently implemented.

Rewarding Strong Performers

Countries with strong governance make better use of MDB money, and should be allocated greater levels of MDB resources. Allocating resources in this way invests money where it provides the greatest development results and creates incentives for borrower countries to improve performance. The United States has effectively pushed the MDBs to distribute greater resources on the basis of performance, and this effort has led to concrete results. More MDBs are using performance-based allocation systems, with the IFAD and the GEF recently adopting such systems, and are creating strong incentives.





- Today, the best policy performers in IDA will receive almost six times as many resources per capita as the poorest performers. For every \$1 per capita of assistance to the median IDA performer in 1993-1995, about \$1.20 went to the best performers and \$0.85 to the poorest performers. By 1997-2001, the spread had widened, with \$1.77 per capita going to the best performers and \$0.57 to the poorest performers. IDA's strategy for 2007 envisions an even wider spread, with \$2.39 per capita going to the best performers and \$0.43 to the poorest performers. Over ten years ago, IDA's best performers received allocations 40% higher than the poorest performers. Today, support for IDA's best performers is 450% higher than support for the poorest performers.
- The GEF's Resource Allocation Framework (RAF) will guide resource allocation and prioritize strong performing countries with high potential environmental benefits during the current four-year replenishment period, which began in January 2007. Initially, the RAF will cover the areas of biodiversity conservation and climate change, which account for 67% of the GEF's program activities.
- IFAD has strengthened its performance based allocation system, notably shifting to a global allocation system from a fixed regional one, as well as increasing the importance of performance by reducing the weight of population.

Box 3: The World Bank Is Leading the MDBs' Fight Against Corruption

The World Bank has increased its assistance for improving governance in client countries over the last decade. In FY2006, almost half of the Bank's new lending operations included governance components. Financial assistance for this purpose amounted to \$4.5 billion, accounting for almost 20% of the Bank's FY2006 lending. For example, in October 2006 the Bank approved a project to strengthen municipal government effectiveness and social services delivery in Afghanistan. Another project, in Zambia, aims to strengthen rural policies and institutions in order to expand access to urban services and housing. The Bank is also a leader in preparing governance diagnostics and in developing governance indicators that are used by many multilateral and bilateral organizations. Governance ratings are a central component in determining resource allocations from the International Development Association (IDA), the Bank's soft loan window.

The World Bank has also taken strong action against corruption in its borrowing member countries. For instance, it suspended disbursements in **India** and **Kenya** until it was convinced that the respective governments were taking meaningful actions to tackle corruption and resumed lending only in less risky sectors. Governance and anti-corruption standards have been increased as a condition for debt relief, as was the case in the **Republic of the Congo**. The Bank helped with the return of stolen funds to **Nigeria**, in order to ensure that they will be used for the country's development needs. The 2006 Global Accountability Report, a survey conducted by a UK NGO of the accountability policies of the 30 most powerful international organizations, rated the Bank among the highest with respect to transparency, evaluation, and complaints and response mechanisms (through its inspection function), but indicated that participation in terms of its internal representation and decision-making process could be increased. To strengthen its effectiveness further, the Bank has proposed a new, comprehensive strategy to promote governance and fight corruption. The strategy has been vetted in an extensive public consultation process and is under consideration by the Bank's Executive Board.

In a significant milestone, the heads of the multilateral development banks and the IMF agreed in September 2006 to a common framework for fighting fraud and corruption, in order to have a unified and coordinated approach. The MDB leaders agreed to standardize their definition of corruption, to improve the consistency of their investigative rules and procedures, to strengthen information sharing, and to explore further how compliance and enforcement actions taken by one institution will be supported by the others. The MDBs and the IMF also agreed to work together to develop concrete proposals to assist countries, over the longer term, in strengthening their capacity to combat corruption and to improve cooperation with civil society and other stakeholders and institutions, such as the press and judiciary, to enhance transparency and accountability.





Debt Sustainability

The Bush Administration has strongly emphasized the importance of putting developing countries on a sustainable path and ending the cycle of lend-and-forgive that has characterized past development lending. This cycle erodes the development of a credit culture and it impedes the ability of developing countries to invest in people and growth.

The Administration last year helped secure an agreement among shareholders of the African Development Bank, the World Bank, and the IMF to write off the debts of the 40 HIPC countries to those institutions. Substantial progress has been made to extend that commitment to the Inter-American Development Bank.

More importantly, however, this Administration has recognized that while debt reduction is a significant first step to achieving debt sustainability, the key is to address the causes of unsustainable debt and put into place a framework that will prevent such high levels of debt from accumulating again. The United States, along with its partners in the MDBs, fought for and gained adoption of the Joint World Bank/IMF Debt Sustainability Framework for Low-Income Countries (DSF). The DSF was developed to help guide lending decisions by all official creditors and borrowing decisions by low-income countries, on the basis of a country's current and prospective ability to pay. The DSF is underpinned by the recognition that a low-income country with better policies and institutions can sustain higher levels of debt over time, and is at a lower risk of debt distress. The United States continues to work to further strengthen the Debt Sustainability Framework.

Already, IDA and the AfDF use the DSF to guide decisions on the form of assistance to the poorest countries. The more at risk a country is to debt distress, the higher the level of grants it will receive from these institutions. Providing new resources to debt-vulnerable countries in the form of grants—and not loans—is the vital step to ending the lend-and-forgive cycle. The level of grant resources provided by the MDBs has grown enormously in recent years, thanks to U.S. leadership. For each of the past two years, close to \$2.7 billion in grant funding was provided to the poorest and most vulnerable countries.

Figure 6: Increasing Grants in IDA, AfDF & AsDF



Under this framework, the MDBs are also improving their ability to help countries manage and predict future levels of indebtedness. The MDBs provide expertise and technical know-how on debt management, as well as contribute to meeting some developing countries needs for better debt management systems and procedures. In light of their significant role in the provision of finance to many developing countries, the MDBs need to take on a leadership role in the coordination of creditors to assure that the actions of all creditors are consistent.



**Box 4:** Multilateral Debt Relief Initiative (MDRI)

The United States, working with the UK and other G-8 countries, secured a landmark debt relief initiative for the world's poorest and most heavily indebted countries in 2005. Specifically, it provides 100% cancellation of debt obligations owed to the World Bank (IDA), the African Development Fund (AfDF), and the International Monetary Fund (IMF) by eligible countries in the Heavily Indebted Poor Countries (HIPC) initiative. Over time, 42 countries are projected to receive up to \$60 billion in debt relief as a result of this initiative. This action will free up funds for public sector investments in priority sectors. The removal of unsustainable debt combined with additional development resources—largely provided as grants—is delivering significant support for economic growth and poverty reduction. The Multilateral Debt Relief Initiative (MDRI) will be financed over time by contributions to IDA and the AfDF. The United States will meet its financing share to MDRI through accelerated encashment of its contributions to IDA-14 and AfDF-10 replenishments. Full funding of the Administration's FY2007 and FY2008 requests for IDA and the AfDF is critical to implementation of this historic initiative, to meet the U.S. commitment as scheduled, and to prevent the agreement from unraveling.

With strong U.S. support, the Inter-American Development Bank (IDB) has been working over the past year on an initiative to provide MDRI-like debt relief to its poorest countries. It is hoped that the agreement can be reached to forgive \$3.4 billion in debt by the time of the IDB's annual meeting in Guatemala in March 2007.

Using the MDBs to Advance U.S. Foreign Policy Priorities

The MDBs are effective intervention points in many places where the United States has vital national interests, from country-specific interventions to facing global challenges. The MDBs are providing critical support for economic reform in countries on the front lines of the war on terror and in other fragile and post-conflict states.

Reconstruction in Iraq

The World Bank's overarching objective in Iraq is to help build efficient, inclusive, transparent and accountable institutions for stability, good governance, and sustainable economic development. The Bank's current strategy for Iraq authorizes up to \$500 million of IDA financing, and is organized into four pillars, supporting government efforts to: restore basic service delivery; enable private sector development; strengthen social safety nets; and improve public sector governance. To date, the Bank's board has approved three projects, (which have not yet become effective):

- A \$100 million education project (November 2005) that will help alleviate school overcrowding and lay the groundwork for educational reform;
- A \$135 million Emergency Road Rehabilitation Project (June 2006); and
- A \$40 million hydropower project (December 2006)

The Bank also administers the World Bank Iraq Trust Fund (ITF), a donor-financed facility under the International Reconstruction Fund Facility for Iraq. The ITF has financed 15 grants totaling \$410 million and, as a result, committed all donor deposits. While the ITF is scheduled to close December 31, 2007, the World Bank has recommended extending the fund through December 2010 to allow adequate time to finance the existing projects to completion.





Reconstruction in Afghanistan

The World Bank has been a key partner in the reconstruction and revitalization of the Afghan economy, focusing primarily on improving public administration, improving rural livelihoods by rebuilding infrastructure and enhancing community governance, and providing education, health and agricultural services and support to the private sector. As a post-conflict country, the World Bank has committed \$1.3 billion since 2002, 65% in grants. World Bank programs are helping the Afghan government address the most pressing social problems. To date, the Bank's interventions have helped 4 million children and teachers return to school. The Bank is also helping create jobs with projects in 17,318 communities in Afghanistan's 34 provinces, through the National Solidarity Program and National Emergency Employment Program. In addition, more than 2,500 km of rural roads and 6,000 meters of cross-drainage structures, culverts, and causeways are being improved. Out of 15 airport projects planned, six are underway, and nine have been completed. Access to health services has risen from 8% to 82% of the population.

The World Bank also administers the Afghanistan Reconstruction Trust Fund (ARTF) with a Management Committee comprised of the AsDB, UNDP, Islamic Development Bank and the World Bank, which has to date raised \$1.6 billion from 26 donors.

The Asian Development Bank (AsDB) has approved over \$800 million in grants to Afghanistan for economic reconstruction since 2002. During the 2005-2006 period, AsDF grants helped finance investment projects crucial to Afghanistan's economic revitalization, including critical infrastructure, such as power transmission, telecommunications, roads, irrigation and water systems, and fiscal management projects to strengthen the country's budget systems.

Re-engagement in Liberia

In 2006, IDA provided approximately \$65 million in pre-arrears clearance grants to support Liberia's activities in the areas of economic management, government coordination of donor activities, procurement reform, legal sector reform, community-driven development and forest sector reform. A \$30 million IDA pre-arrears clearance grant supports road repairs and the provision of electricity in Monrovia. In all of the infrastructure project activities, the generation of employment is particularly emphasized.

The AfDB provided a grant to help Liberia build the capacity of the civil service and to strengthen the public financial management systems. In addition, both IDA and the AfDB are actively working with the United States and other shareholders to find ways to help Liberia clear its arrears to the institutions, so that the country can regain access to regular MDB assistance.

Reducing the Financing of Terrorism

The MDBs have helped countries' efforts to strengthen their anti-money laundering and counterterrorist finance regimes. They have worked collaboratively on these issues with the U.S. Treasury Department, the Financial Action Task Force (FATF), the FATF-style Regional Bodies (FSRBs) and others. The World Bank has conducted, and all of the MDBs provide, anti-money laundering and countering the financing of terrorism (AML/CFT) assessments for countries and assistance to strengthen weaknesses identified, including through the establishment of financial intelligence units. At the urging of the United States, the MDBs have also worked to strengthen their own internal procedures, including through better due diligence and screening procedures to ensure that they do not do business inadvertently with criminals.

As of June 2006, the International Monetary Fund (IMF) and the World Bank have conducted over 60 assessments of country compliance with good practices for AML/CFT. The IMF and World Bank are also substantial sources of funding for countries' efforts to strengthen their own AML/CFT regimes—an activity





that Treasury has supported and has joined in to leverage Treasury's own bilateral AML/CFT assistance. The IMF and World Bank together have substantially increased technical assistance (TA), delivering 250 missions and events from May 2005 to April 2006.

Support to Stem Avian Influenza

The MDBs moved quickly to address avian flu. The World Bank co-hosted the January 2006 pledging conference in Beijing, and launched a global facility to provide financial and technical assistance to individual countries. This \$500 million line-of-credit operation is coordinating action and co-financing with multilateral organizations. As of the end of 2006, \$195.1 million of World Bank financing had been approved for programs in 13 countries (**Albania, Armenia, Azerbaijan, Georgia, Kyrgyzstan, Lao PDR, Moldova, Nigeria, Romania, Tajikistan, Turkey, Vietnam** and **West Bank/Gaza**). In addition, the Bank has approved projects financed from a Japanese trust fund and from a new \$75 million multi-donor facility established to improve coordination of bilateral flows; as of the end of 2006, trust fund commitments stood at \$60.5 million, including support for **Afghanistan, Djibouti, and Indonesia**, as well as for preparedness in the countries of the **Southern Cone of Latin America**.

The AsDB has played a leadership role in supporting avian flu efforts in Asia, taking a regional approach to complement the country-focused work of other donors. The AsDB has pledged up to \$470 million, and three regional grants, totaling \$70 million, have been approved to improve coordination on and responsiveness to avian influenza and communicable diseases. Countries that have received assistance include **Cambodia, Lao PDR, Indonesia, Malaysia, the Philippines, and Vietnam**. Of the remaining \$400 million pledged, \$100 million could be reallocated to respond immediately to the outbreak of a pandemic, and \$300 million in new money could be mobilized quickly should countries in the region need it.

In 2006, the AfDB extended six grants, totalling nearly \$7 million, to assist efforts in **Egypt, Nigeria, Sudan, Ethiopia, Djibouti, and Tanzania**, as well as two grants for multinational efforts in **West Africa** to combat the Avian Flu. The grants are from a special, quick-response facility. The AfDB is finalizing its strategy for the control and prevention of Avian and Human Pandemic Influenza in Africa and expects to send it to the Board of Directors in the first quarter of 2007.

Responding to the Devastation from the South Asia Tsunami

The World Bank has committed \$835 million in financing the recovery from the tsunami disaster for **Indonesia, Sri Lanka, India** and the **Maldives**, including a \$27 million grant from IBRD's surplus fund. World Bank funds have been used to repair damaged services, as well as for housing reconstruction and to restore livelihoods. The Bank has also been a key coordinator of the relief effort, including organizing the Indonesian Multi Donor Fund (MDF) for Aceh and Nias which has received over \$650 million from 15 donors—the European Commission, the Netherlands, the United Kingdom, World Bank, Sweden, Denmark, Norway, Germany, Canada, Belgium, Finland, Asian Development Bank, United States of America, New Zealand and Ireland. To address lagging donor disbursements in Indonesia, the World Bank in conjunction with the AsDB, has offered co-financing opportunities, promoted the flow of information with regular updates, and assisted with on-the-ground coordination in Indonesia. In **Sri Lanka** and the **Maldives** the Bank has helped coordinate donor contributions and helped set clear goals to monitor and evaluate progress.

The AsDB's rapid response to the massive destruction resulting from the Asian tsunami demonstrates its improved effectiveness in providing emergency assistance. In the wake of the Asian tsunami, the AsDB immediately established a \$600 million Asian Tsunami Fund to provide grant financing to all affected countries to rebuild and restore local economic activity. The AsDB also developed a well-received donor tracking system with the United Nations Development Programme (UNDP) to ensure transparent and appropriate use of donor funds for reconstruction efforts.







Support for Debt Restructuring Programs

FY2007 Treasury Request	FY2007 Continuing Resolution-Enacted Rate ²	FY2008 Request
\$182,799,000	\$64,350,000	\$207,300,000

For FY2008, the Administration has requested \$207.3 million for bilateral Heavily Indebted Poor Countries (HIPC) and poorest country debt reduction, HIPC Trust Fund, and Tropical Forest Conservation Act (TFCA) programs. Under the enhanced HIPC initiative, the bulk of the requested funding is needed to complete United States bilateral debt reduction for the Democratic Republic of the Congo (DRC) in FY2008, when the DRC is expected to reach its Completion Point.³ Approximately \$9 million of the request would be used to provide the first stage of HIPC bilateral debt reduction for Liberia. An amount of \$20 million would be used for debt treatment under the Tropical Forest Conservation Act (TFCA). Depending on priority needs and timing, funds could be used for a U.S. contribution to the HIPC Trust Fund.

The enhanced HIPC initiative was launched to provide deeper, broader, and faster debt reduction for the poorest heavily indebted countries that have made a real commitment to economic reform and poverty reduction. For countries that demonstrate the performance on economic policies and poverty reduction required to complete the HIPC process, the landmark Multilateral Debt Relief Initiative (MDRI) aims to achieve debt sustainability more conclusively, and end the lend-and-forgive cycle, by providing 100% debt cancellation on obligations to the International Monetary Fund (IMF), the International Development Association (IDA), and the African Development Fund (AfDF).

The Tropical Forest Conservation Act (TFCA) authorizes debt relief for low and middle-income countries with tropical forests to support conservation of endangered forests. Under the TFCA, eligible countries can, through negotiation with the United States, treat a portion of their debt to the United States by engaging in one or more of the following activities: a debt buyback, a debt swap with an eligible third party [usually an international environmental non-governmental organization (NGO)], or a debt reduction/restructuring. Resulting local currency payments are used to establish a Tropical Forest Fund or equivalent mechanism in the country that will in turn make grants to local NGOs and other entities engaged in a variety of forest conservation activities. The United States uses appropriated funds to pay for the budget cost of this debt reduction/redirection. The Administration will propose strengthening this program as part of its reauthorization.

Recent Accomplishments in Support of U.S. Objectives:

- In July 2006, the Paris Club—with U.S. leadership—agreed to reduce Afghanistan’s debts by approximately \$10.4 billion, or 92%, as the first step towards 100% forgiveness, which the creditors (including the United States), intend to provide under the Enhanced HIPC initiative.

² The Continuing Resolution-enacted rate is a full-year figure under “Continuing Appropriation Resolution 2007,” Division B of P.L. 110-5.

³ A HIPC country reaches its Completion Point when it meets a pre-determined set of key conditions, which enables it to receive irrevocable stock of debt reduction.





- Under the enhanced HIPC initiative, 29 countries had demonstrated sufficient progress on economic reform and commitment to poverty reduction to reach their Decision Points as of the end of FY2006. They are benefiting from debt relief that will lower their stock of debt by almost two-thirds, reduce debt service ratios by nearly half, and allow for increased poverty reduction expenditures in areas such as basic health, education, and rural development.
- Most recently, Haiti became the 30th country to reach HIPC Decision Point, in December 2006.
- Under TFCA, a total of 12 agreements have now been signed with 11 countries, generating more than \$137 million over time for tropical forest conservation.

Enhanced Heavily Indebted Poor Countries (HIPC) Initiative

Key Facts

Debt Relief under the Enhanced HIPC Initiative

- The Democratic Republic of the Congo is projected to reach its HIPC Completion Point in early FY2008, and makes up the bulk of the FY2008 budget request. Since the United States is the largest bilateral creditor, other creditors will not go forward with final HIPC stock of debt reduction until the United States is able to participate.
- As of the end of FY2006, 29 countries (see Table 3) had made sufficient progress on economic reforms and commitments to poverty reduction to reach their HIPC Decision Points. Haiti became the 30th country to reach its HIPC Decision Point in December 2006. At Decision Point countries begin to benefit from relief on debt payments coming due. Twenty-one of these countries have met the conditions to reach their HIPC Completion Points, and qualified for reduction in their stock of debt—two countries reached their Completion Points over the course of FY2006.
- Creditors have committed to reduce the external debt of these thirty countries by about \$61 billion (nominal terms) under the HIPC framework. Overall debt relief for these countries, including from additional bilateral debt relief provided by the United States and some other creditors, will reduce the external debt of these countries by about two-thirds in aggregate.
- Debt service ratios for the 29 countries that had reached Decision Point by 2006 have been cut dramatically. On average, debt service/exports ratios have been reduced from pre-HIPC levels of 15% to 6.5%.

U.S. Leadership on the HIPC Initiative

- The United States has been a leader on the enhanced HIPC initiative, which has been reflected in the Administration's budget requests and Congressional actions in past years. Since FY2000, Congress has provided a total of \$263.4 million in appropriations for bilateral HIPC debt reduction costs and \$674.6 million for U.S. contributions to the HIPC Trust Fund.⁴
- Official bilateral creditors are also expected to contribute to the multilateral HIPC Trust Fund. The United States has pledged roughly 22% of HIPC Trust Fund costs and has so far contributed roughly 23% of amounts paid in (\$675 million out of \$2.9 billion).

⁴ The multilateral HIPC Trust Fund helps to cover the HIPC costs of certain regional multilateral institutions.

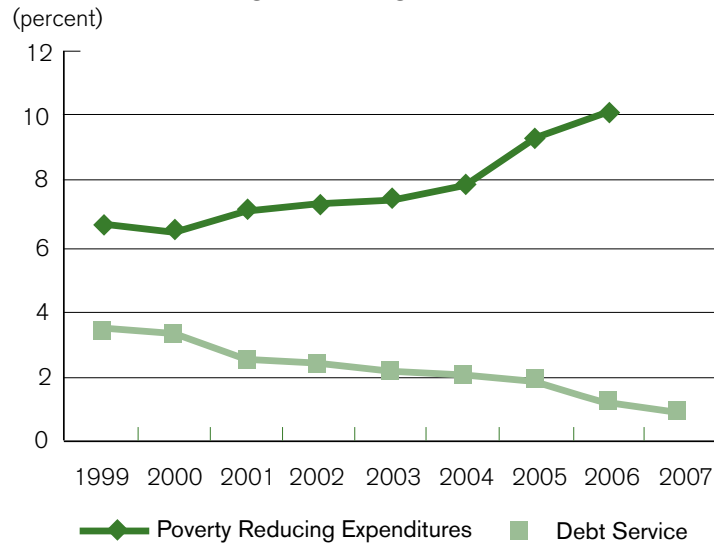




Use of HIPC Relief

- HIPC debt relief will significantly reduce HIPC qualifying countries' annual debt service obligations, freeing resources for poverty reduction expenditures.
- The HIPC qualifying countries are required to use the resources freed up by debt relief to support poverty reduction and economic growth. As shown in the figure below, poverty-reducing expenditures have increased in HIPCs in recent years. Poverty-reducing expenditures for the twenty-nine Decision Point HIPCs (as of FY2006) were over five times as large as debt service payments in 2005.

Figure 7: Poverty-Reducing Expenditures and External Debt Service for 29 HIPC Countries (Weighted average, % of GDP)





(Table 3) Debt Relief under the HIPC Initiative

(Total HIPC relief committed, \$US Millions)

Enhanced HIPC Decision Point	Total HIPC Debt Reduction		
	In NPV Terms	Nominal	
Countries that have reached Completion Point (21)			
Benin	Jul. 2000	265	460
Bolivia*	Feb. 2000	1,302	2,060
Burkina Faso*	Jun. 2000	553	930
Cameroon	Oct. 2000	1,267	4,917
Ethiopia	Nov. 2001	1,982	3,275
Ghana	Feb. 2000	2,186	3,500
Guyana*	Nov. 2000	591	1,354
Honduras	Jul. 2000	556	1,000
Madagascar	Dec. 2000	836	1,900
Malawi	Dec. 2000	643	1,000
Mali*	Sept. 2000	539	895
Mauritania	Feb. 2000	622	1,100
Mozambique*	Apr. 2000	2,023	4,300
Nicaragua	Dec. 2000	3,308	4,500
Niger	Dec. 2000	664	1,190
Rwanda	Dec. 2000	696	1,316
Senegal	Jun. 2000	488	850
Sierra Leone	Mar. 2002	600	950
Tanzania	Mar. 2000	2,026	3,000
Uganda*	Feb. 2000	1,003	1,950
Zambia	Dec. 2000	2,499	3,900
Countries that have reached Decision Point (9)			
Burundi	Aug. 2005	826	1,465
Chad	May 2001	170	260
Congo, Dem. Rep.	Jul. 2003	6,311	10,389
Congo, Rep. (Congo-B)	Apr. 2006	1,679	2,881
Gambia	Dec. 2000	67	90
Guinea	Dec. 2000	545	800
Guinea-Bissau	Dec. 2000	416	790
Haiti	Dec. 2006	140	213
Sao Tome & Principe	Dec. 2000	97	200
Total HIPC		34,898	61,479

* Countries that received a portion of debt relief under the original HIPC Initiative.

Possible Countries with Decision Point Expected in 2007 or later (10)

Central African Republic	Kyrgyz Republic	Togo
Comoros	Liberia	Sudan
Cote d'Ivoire	Nepal	
Eritrea	Somalia	

Source: IMF/World Bank, HIPC and MDRI – Status of Implementation, August 23, 2006.





Tropical Forest Conservation Act (TFCA)

Key Facts

- An amount of \$20 million would be used for debt treatment under the Tropical Forest Conservation Act (TFCA) to support conservation of endangered forests.
- The Administration will propose reauthorization legislation that will strengthen TFCA for FY2008 and beyond.
- Twelve TFCA agreements in eleven countries (Bangladesh, El Salvador, Belize, Peru, the Philippines, Panama (two agreements), Colombia, Jamaica, Paraguay, Guatemala and Botswana) have been concluded to date. These agreements will generate over time more than \$137 million for tropical forest conservation.
- Under the TFCA debt swap mechanism, a unique public/private partnership has evolved in which environmental NGOs such as The Nature Conservancy, World Wildlife Fund, and Conservation International provide additional funds for debt reduction, increasing the size of individual agreements, and contributing additional expertise in the management of resulting programs. Seven of the 12 TFCA agreements so far provide for debt swaps.
- Expressions of interest in TFCA debt treatment have been received from several governments. Eligibility analyses for these countries should be completed early in 2007. In addition, the Treasury Department is talking to other countries about their possible application for TFCA.
- TFCA underwent a PART (Program Assessment Rating Tool) review by the Office of Management and Budget in 2004, and received a rating of “results not demonstrated”, largely because that the program did not have performance measures in place that would enable a meaningful evaluation. As a result of the PART exercise, Treasury is developing outcome measurements that will evaluate performance.

(Table 4) Tropical Forest Conservation Act (TFCA) Agreements

Country	Year (FY)	USG Cost (\$US Millions)	Swap Contribution (\$US Millions)	Funds Generated for Conservation (\$US Millions)
Bangladesh	2000	6.0	--	8.5
El Salvador	2001	7.7	--	14.0
Belize	2001	5.5	1.3	9.0
Peru	2002	5.5	1.1	10.6
Philippines	2002	5.5	--	8.3
Panama I	2003	5.6	1.2	10.0
Colombia	2004	7.0	1.4	10.0
Panama II	2004	6.5	1.3	10.9
Jamaica	2004	6.5	1.3	16.0
Paraguay	2006	4.8	--	7.4
Guatemala	2006	15.2	2.0	24.4
Botswana	2007	7.0	--	8.3
TOTAL		82.8	9.6	137.4







Support for Treasury Technical Assistance Programs

FY2007 Treasury Request	FY2007 Continuing Resolution-Enacted Rate ⁵	FY2008 Request
\$23,700,000	\$19,800,000	\$24,800,000

The FY2008 request for Treasury International Affairs Technical Assistance (TIATA) is \$24.8 million. The program provides expert financial advisors to developing and transition countries seeking to implement economic policy reforms and strengthen financial management capacity. Treasury technical assistance complements other international programs. Strengthening the financial management capacity of developing and transition countries helps ensure that assistance in other forms—multilateral development bank funding, debt relief—is effectively used. Helping reform-minded countries with *implementation* improves the possibility that their efforts succeed and our policy dialogue with them bears fruit.

Treasury’s assistance program focuses its activities on five disciplines: budget, taxation, government debt, financial institutions, and financial enforcement. In FY2008, it is estimated that \$7.37 million of the funds requested will be used by Treasury Technical Assistance to fund resident and short-term advisor projects with countries combating money laundering and terrorist finance activity. A large portion of the funds requested (36%) will be used for assistance programs in sub-Saharan Africa, 12 of which are eligible to receive HIPC debt relief. Over 12% of the requested funds will be used to carry out projects in the Greater Middle East. The funds will also be utilized to begin two new high priority country engagements in Vietnam and India.

This level of funding will allow Treasury to pursue the following objectives:

Assist countries that are at risk of becoming failed states or are emerging from conflict. Treasury has been an active participant in reconstruction efforts in Afghanistan, Bosnia, Iraq, Liberia, Haiti, and Sri Lanka. Experience has shown that strengthening public sector financial governance is crucial in failing state or post-conflict situations as the government struggles to provide public services and establish credibility with its citizens and the international community. The increased funding requested for FY2008 will strengthen the ability of the program to respond to engagements of this type.

Sustain and selectively expand assistance in low-income countries, notably in Sub-Saharan Africa, and in countries that are already or at risk of falling into (or back into) unsustainable debt positions. In Sub-Saharan Africa, Treasury is active in Botswana, Ethiopia, Ghana, Guinea, Kenya, Lesotho, Liberia, Madagascar, Malawi, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, South Africa, Tanzania, Uganda, and Zambia. Many of those engagements focus on developing capacity for sound debt management, as do projects in Bolivia, Honduras, Nicaragua, and Paraguay.

⁵ The Continuing Resolution-enacted rate is a full-year figure under “Continuing Appropriation Resolution 2007,” Division B of P.L. 110-5.





Sustain and strengthen assistance to combat money laundering, terrorist financing, and financial corruption. Treasury is an active participant in the interagency Terrorist Financing Working Group (TFWG) and supports the TFWG process by participating in assessment missions and performing follow-on technical assistance in countries designated as vulnerable to terrorist organizations and their funding efforts. Treasury's financial enforcement program works both bilaterally and in conjunction with regional bodies. In Latin America, work is carried out with the Grupo de acción Financiera de América del Sud (the South American Financial Action Task Force-style regional body), in Bolivia, Chile, Paraguay, Peru, 21 countries in the Caribbean, and all but two Central American countries. In Africa, Treasury works with the Groupe Inter-gouvernemental contre le Blanchiment en Afrique (the African FATF-style regional body), the Economic Community of Western African States, and the Eastern and Southern Africa Anti-Money Laundering Group, as well as in Senegal, Tanzania, Uganda, and Zambia. In Asia (Sri Lanka) and in Central and Eastern Europe (CEE) and the Former Soviet Union (FSU), including Albania and Ukraine, Treasury carries out AML/CFT initiatives that are financed with TIATA funds.

Program Mandate

In 1991, Treasury established the Office of Technical Assistance (OTA) as the operational office through which it delivered financial technical assistance. Beginning with the initial direct appropriation from Congress in FY1999, Treasury created the TIATA program and expanded the reach of its technical assistance operations outside of its traditional base in Eastern Europe and the Former Soviet Union to include a limited number of reform-oriented countries in Asia and Africa, as well as Central and Latin America. It is in these last four regions, and the Greater Middle East, that Treasury now sees its primary responsibility for the future.

In the implementation of its technical assistance activities, Treasury places a priority on those countries where governments are committed to economic policy reform and market-oriented economies. Treasury's advisory assignments are accomplished through resident or intermittent advisors who work with identified senior management level counterparts. Advisor assignments are limited to five core areas of government policy and management where Treasury has specialized expertise:

- Budget Policy and Management;
- Tax Policy and Administration;
- Banking and Financial Services;
- Government Debt Issuance and Management; and
- Financial Enforcement.

Treasury's technical assistance projects are designed to support economic objectives established by the international financial institutions (IFIs) in their country plans. Treasury also works on a cooperative basis with technical assistance programs of the IMF, World Bank, and the regional development banks. Treasury projects are coordinated with the State Department and USAID headquarters in Washington, D.C., as well as with individual embassies and USAID missions. Treasury is an active participant in the State/Counter Terrorism and State/Bureau for International Narcotics and Law Enforcement Affairs (INL) led inter-agency Terrorist Financing Working Group (TFWG) that is responsible for coordination of technical assistance designed to counter the financing of terrorist groups. In addition, Treasury works with State/INL-sponsored projects designed to address money laundering, corruption, and other financial crimes.





Treasury is committed to keeping the TIATA program flexible and dynamic. Projects compete for funding each year. The project portfolio is constantly monitored, and projects that are not achieving desired results, as measured against objectives and timetables established in annual workplans, are phased out to free up funding for new projects. In addition, Treasury is committed to a philosophy of mobilizing rapidly to respond to technical assistance requests, but to limit the term of its engagement so that an assistance project does not exceed its original scope without establishing new or revised terms of reference. From FY2000 through FY2006, Treasury successfully closed out 102 projects—with 13% of these being phased out during FY2006. Treasury intends to use FY2008 resources to expand its assistance programs to new countries, in addition to extending previously initiated multi-year projects. Treasury will consider new projects in countries where counterparts are committed to an economic reform agenda and where Treasury has appropriate expertise.

Treasury receives 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 U.S. foreign and economic policy.

Key FY2006 Successes

The five teams within OTA, each representing one of Treasury's core disciplines, have achieved notable project successes in FY2006. Many were the result of Treasury's focus on economic policy reforms, anti-corruption, internal institutional controls, governance, and fiscal transparency. Examples include:

Budget Policy and Administration (capacity building, fiscal transparency, and governance): A Treasury project in Mauritius assisted the government to implement a medium-term framework for its budget system. This represented a major step forward in budget policy and formulation capability. Trade concerns are a top priority for this island nation whose revenues and economy have been negatively impacted by new world trade patterns. The resident budget advisor also provided critical assistance in advancing "aid for trade" initiatives in close collaboration with other American officials.

Government Debt (capacity building, internal controls, and governance): In a major step forward for the development of the local debt markets in Paraguay, the Ministry of Finance conducted its first successful auction of Treasury securities in May 2006, followed by a second successful auction in November. The combined \$62 million in 3-year securities were denominated in both guaraníes and in dollars. Ten local banks participated. This action provides the first benchmark security for the development of a yield curve and reflects a strong commitment to fiscal management and capital market development.

Financial Enforcement (anti-corruption, anti-money laundering, and counter financing of terrorism): Treasury successfully assisted the Government of Afghanistan in the licensing and regulation of the hawaladars (currency changers) with the Central Bank and mentored the Zambian Task Force on Corruption in the successful prosecution and conviction of two former regime officials who had looted the Government of Zambia and moved funds overseas.

Banking and Financial Services (bank reform and restructuring): In 2006, Treasury helped the Central Bank of Iraq (CBI) and the Iraqi Ministry of Finance (MOF) in their efforts to reform and revitalize Iraq's state-owned banks. A comprehensive program of reform and restructuring was developed that includes policy and institutional measures, levels the playing field between private and state-owned banks, and establishes conditions for the financial recapitalization of the two largest state-owned banks. Implementation of the program has begun and over the coming 18 to 24 months is expected to result in a healthier and more competitive banking system in Iraq, one that is driven by market forces and stronger commercial banking skills, and that is regulated by a stronger bank supervision function in the CBI. This will provide a strong





basis for the eventual development of a private sector led banking system able to compete domestically and internationally, and will provide the financial infrastructure needed for sustainable economic activity and development of the country.

Tax (fiscal transparency, and capacity building): In Costa Rica, Treasury supported the establishment of a strategic focus for improving tax administration, including the development and implementation of an accountable planning and management system. Training of managers and technical innovations in enforced collection and audit contributed to a 22% increase in revenue from 2005 to 2006. In other efforts, Treasury stepped forward to improve the quality, professionalism and consistency of auditing practices in the Central American region. Through a regional initiative, Treasury promoted and facilitated meetings with counterparts to prepare a Spanish language auditing techniques training guide and course. The materials were prepared as a cooperative effort between the countries facilitated by Treasury advisors. The material was revised and taught in Honduras, and similar parallel efforts are underway in other countries. Tax assistance also helped produce, print, and teach a Spanish language manual for auditing taxpayers in Honduras and Nicaragua. This manual is being made available to other countries for their adaptation and utilization.

Post-Conflict Countries/Failed-States Initiatives

Treasury has become increasingly active in providing assistance to countries emerging from conflict and those that have been identified as failed states. In these engagements, Treasury has proven itself able to respond quickly with the placement of expert teams into inhospitable operating environments where technological infrastructure and institutional capacity are lacking. Treasury advisors have been able to make a marked contribution to the stabilization of the respective ministries with which they are paired.

Historically, TIATA has not provided long-term funding of expenses in post-conflict/failed-state initiatives. For such initiatives, the program has depended upon supplemental funding or other external funding sources. However, there are occasions when it has been necessary to bridge the funding gap until alternative resources become available. Unlike other country-specific sources of funding, such as the Support for East European Democracies Act and the Freedom Support Act, TIATA funding is sufficiently flexible to do this.

Iraq

During FY2006, Treasury undertook a significant reengagement in this high-priority country. In support of the democratically elected Government of Iraq, Treasury has posted a team of resident advisors to Baghdad to provide assistance with budget formulation and execution and banking supervision. Three resident advisors are currently serving in Baghdad with a fourth due to deploy in mid-February 2007. Two U.S.-based advisors are supporting the mission through targeted work in the areas of bank restructuring and monetary policy. In addition, Treasury has expanded into the next implementation phase for the Iraq Payments System. Major components of this system—which is designed to facilitate funds transfers and reconciliation of accounts between banks throughout the country and the Central Bank of Iraq—have gone live and are being utilized by eight banks in the country (including the two largest—Rafidain and Rashid).

Afghanistan

At present, Treasury is engaged in three functional areas in Afghanistan. It is supporting the Ministry of Finance through institutional strengthening and capacity building in the areas of bank restructuring, credit access, payments systems, and creation of non-bank financial institutions and markets (insurance, leasing, and mortgage finance). It is also assisting the Ministry through training of Debt Management Unit personnel, developing appropriate debt tracking mechanisms and policies and procedures for debt management, and assisting with the development of sound cash management practices and procedures. Finally, Treasury





is focusing its financial enforcement technical assistance on the establishment and development of a Financial Intelligence Unit as a semi-autonomous unit within the Central Bank of Afghanistan, as well as on measures aimed at combating money laundering and the financing of terrorist activities.

Liberia

Treasury's technical assistance to Liberia has represented a comprehensive approach to improving operational and management capacity within key governmental institutions. The overarching goal of the engagement is to improve the government's ability to generate revenue (via increased tax collection and a rationalization of the tax system), to create a transparent and sound government budget that reflects a measured prioritization of expenditures, and to transform the banking sector into an efficient means of allocating financial resources among productive economic activities. Due to the flexibility afforded by TIATA funding, Treasury placed a team of advisors on the ground in Monrovia earlier than other providers of assistance in the economic sector were able to do so. Activities are now in the final phase and are focused on assisting the Ministry of Finance with reconciling the government's domestic debt arrears.

Haiti

Treasury responded to the post-conflict situation in Haiti with targeted technical assistance. Security is still unstable in the country and violence has caused some delays, but work is continuing. The U.S. Treasury financial enforcement team is assisting the Government of Haiti's efforts to combat corruption and to recover substantial assets pilfered from that government's treasury. The Treasury team has worked with the Unite Centrale de Renseignements Financiers (Central Financial Information Directory) in the identification and gathering of evidence for use in prosecutions in Haiti and abroad, including a Racketeer Influenced Corrupt Organization (RICO) suit filed in the U.S. District Court in Miami.

The U.S. Treasury tax policy and administration team is focusing on ways to enhance management of information, reorganization of the Direction General des Impots (DGI, the tax administration), improvement of collection techniques, management development, and customer service.

Box 5: Kosovo—From Post-Conflict to Nation Building

Early in the year 2000, soon after the establishment of the UN Interim Administration Mission in Kosovo (UNMIK) under the authority of UN Security Council Resolution 1244, Treasury sent advisors to assist in the delivery of immediate post-conflict financial technical assistance. At that time the most pressing needs were in the areas of donor coordination, revenue estimation, and building capacity for budget formulation and execution. Treasury phased out its technical assistance support by 2002 as many other donors from the international community were able to organize and deploy substantial assistance on a broad front.

Now the international community is in the process of making final determinations regarding Kosovo's future status. Pending final status determination for Kosovo, the U.S. Department of State has requested that the U.S. Treasury Department provide a wide range of financial management technical assistance appropriate for emerging economies. Specifically assistance would address areas of debt management, budgeting, banking, and financial enforcement. The story of Treasury technical assistance in Kosovo is typical of the program's ability to serve a spectrum of needs with comprehensive financial technical assistance in dramatically contrasting phases of country development.







World Bank Group

International Development Association (IDA)**Request: \$1.06B**

The International Development Association (IDA) was founded in 1960 as the concessional finance affiliate of the IBRD to promote sound economic management and poverty reduction among its poorest developing country members. IDA provides highly concessional loans and grants to the poorest countries around the world in order to help create the conditions needed to achieve sustainable growth and poverty reduction. IDA's activities extend across a variety of sectors, including health, education and infrastructure, to promote basic economic policy and institutional reforms critical to achieving sustainable economic growth. IDA operations are financed primarily through contributions by donor countries, but IDA also receives funding through borrower repayments from past loans, investment income, and direct transfers from World Bank net income.

The Administration has requested \$950 million for FY2008 for the last of three payments under the U.S. commitment to the fourteenth replenishment of IDA (IDA-14), covering the period July 2005 through June 2008 and \$110 million to clear a portion of outstanding U.S. arrears.

The U.S. secured a number of key reforms in the IDA-14 agreement, including: greater stress on country performance; renewed emphasis on poverty reduction; good governance and private sector development; increased focus on debt sustainability and grant financing; and increased support for post-conflict countries.

Key Facts

- The U.S. share of IDA-14 is approximately 13%, and in terms of voting shares the United States is the single largest shareholder with 11.51%.
- For IDA-14, every \$1 of U.S. funding leverages just over \$13 in IDA loans and grants.
- In 2006, IDA made commitments of \$9.5 billion, the highest amount achieved in IDA's history, representing 160 operations in 66 countries. From a regional perspective, the largest share of IDA resources went to Africa with 50% and South Asia and Pacific with 27%.
- In the 12 months to June 30, 2006, IDA financed projects in public administration and law (29%); education, health, social services, water, sanitation, and flood protection (28%); infrastructure (21%); agriculture (10%); industry and trade (8%); finance (3%); and information and communication (1%).
- Currently, 81 countries are eligible to use IDA resources. Nearly all IDA-eligible countries have a per capita income below \$1,000 with limited or no ability to borrow on market terms.

Supporting U.S. Policy Priorities

Measuring Results

IDA's new results-oriented approach is increasing the effectiveness of IDA's development projects and programs, specifically by tracking: (1) *individual country outcomes* through 14 country outcome indicators (such as primary school completion rates); (2) *IDA's contribution to country outcomes* through output indicators (such as number of teachers trained and facilities built). To build country ownership and improve the quality of the results data, IDA management has increased efforts to build statistical capacity in these





countries. These efforts will help ensure that countries strengthen the link between performance results and public expenditure management, thus improving the effectiveness of IDA assistance.

- A \$17 million Rural Water Sector Program in **Madagascar** has helped strengthen the capacity of communities, NGOs and the private sector to provide and expand sustainable and cost-effective water coverage. As a result roughly 220,000 people now have access to safe water (compared to less than 50,000 in 2001). In addition, 95% of the installed systems, which are maintained and managed by local stakeholders, were functioning well three years after installation.

Good Governance and Fighting Corruption

The World Bank continues to lead among the MDBs in providing support for good governance and working closely with countries to fight corruption. During 2006, anti-corruption efforts continued to be mainstreamed into new country assistance strategies. Almost half of the new lending operations included support for strengthening governance, rule of law, and public sector reform, amounting to \$4.5 billion. Programs and projects have emphasized improving transparency in public financial management, strengthening tax and customs administration, enhancing civil service performance, undertaking legal and judicial reform, and enabling local and central governments to deliver services more effectively and with greater accountability to local communities. Additionally, the Bank is a leader in operational and empirical research on governance and corruption and in the development and application of governance diagnostics.

- The Bank's Country Assistance Strategy (CAS) for **Bangladesh**, approved in FY2006, focuses on improving governance as a key priority for the government in areas including justice reform, accountability for the use of public resources, business climate improvements, transparency and access to information.
- Governments around the world are increasingly requiring senior public officials to disclose income and assets. By June of 2006, **Cameroon, Liberia, and Kyrgyz Republic**, all institutionalized disclosure requirements, bringing the number of World Bank borrowers that have accepted these requirements to 103.

Private Sector Development and Trade

IDA has renewed its focus on creating the conditions for strong, broad-based growth in IDA countries through increased support for private sector development. Commitments for private sector development totaled 18% in FY2006 and IDA's private sector development-related analytic and diagnostic work has significantly increased. Trade-related lending has almost tripled over the past three years, rising to 6% of IDA's overall portfolio.

Program Assessment Rating Tool (PART)

The PART evaluation conducted by OMB in 2003 gave IDA high scores in Management (100%) and Planning (71%) but lower scores in identifying purpose (60%) and results/accountability (33%). The overall performance rating was "Adequate" and the evaluation noted that IDA manages its programs well on a project-specific level. The adoption and implementation of the IDA-14 results measurement system has given IDA better tools to measure, monitor, and evaluate overall program performance which will improve the measurement of results and increase accountability.





World Bank Group

International Bank for Reconstruction and Development (IBRD)

Request: \$0.0

The IBRD lends at market-based rates to lower-middle and middle-income countries to finance poverty reduction investments and economic policy reforms. The IBRD is a AAA-rated borrower in international financial markets and issues bonds to fund the bulk of its lending operations; loanable resources are also provided from retained earnings and the flow of repayments on outstanding loans. The last general capital increase of the World Bank was agreed to in 1988, and the United States provided its final installment to the IBRD's capital in FY1996.

Key Facts

- In terms of voting rights, the United States is the single largest shareholder in the IBRD with 16.4%.
- The IBRD made new loan commitments of \$14.0 billion for 112 projects in 2006, bringing its cumulative lending commitments to \$420.2 billion.
- During 2006, 26% of IBRD lending went for law, justice, and public administration; 22% for agriculture, fishing, water, and sanitation; 21% for transportation, energy, and mining; 15% for education and health; and 15% for finance and industry/trade.
- In 2006, 40% of new lending was for Latin America; 25% for Europe and Central Asia; 17% for East Asia and Pacific; 10% for the Middle East and North Africa; 9% for South Asia; and less than 1% went to Africa.
- IBRD allocable net income for 2006 was \$1.74 billion. Of this, \$800 million was transferred to IDA; \$690 million to reserves; \$210 million to the HIPC Trust Fund; and \$40 million to the surplus account.

Supporting U.S. Policy Priorities

Managing for Results

In order to implement measurable results at the institutional level, the IBRD has developed a system to measure performance for each Vice Presidential Unit which allows administrative budget allocations to be guided on the basis of performance.

All country assistance strategies now provide a holistic view of what World Bank engagement will accomplish, by incorporating indicators that measure progress and inputs from all parts of the World Bank Group.

Improving the Business Climate for Private Sector Development

The IBRD engages in many private sector development initiatives with borrowing countries, providing opportunities to the poor through market-friendly, enterprise-led growth. For instance, in Latin America the Bank financed a \$601.5 million loan to **Brazil** to support microeconomic reforms needed to enhance the country's long-term growth prospects and a \$501 million loan to **Mexico**, to help strengthen the financial system and reduce the risk of future financial crises.





The Bank also provides analytical services to their client countries. In addition to the “Doing Business Indicators,” the Bank’s enterprise surveys, another source of data on the business climate in developing countries, now cover 51,000 firms in 76 countries. These data fed into 23 investment climate assessments and activities delivered to client countries in FY2006. To help client countries strengthen their corporate governance framework, the Bank completed seven additional country corporate governance assessments in FY2006, bringing the total of both new assessments and updated assessments up to 55. In addition, the Bank launched three pilot assessments focused on the governance of state-owned enterprises. The analyses in these assessments are useful in guiding government reforms and have supported Bank projects in more than 30 countries.

Commitments for new projects with private sector development continue to be a major theme and amounted to more than \$6.1 billion in FY2006.

Promoting Openness to Trade

The Bank advocated for an ambitious outcome in the World Trade Organization Doha Development Agenda negotiations, emphasizing substantive agricultural reform, participation by all countries, and increased aid for trade.

Post-Conflict Country Engagement

In 2006, the Bank continued to play a key role in aid coordination by managing multi-donor trust funds in IDA countries, including in **Afghanistan**, **Sudan**, and **West Bank and Gaza**, as well as a multi-country demobilization and reintegration program in the greater Great Lakes region in Africa.

Global Public Goods

The World Bank continues to play a large role in providing reconstruction assistance following natural disasters, and provides assistance to address global problems such as avian flu, and HIV/AIDS and other communicable diseases. The Bank has committed nearly \$900 million in project funding to help the post-Tsunami reconstruction in **India**, **Sri Lanka**, **Indonesia**, and the **Maldives**.

The Bank has pledged up to \$500 million of IBRD and IDA financing under its Global Program for Avian Influenza, and by the end of June 2006, it approved \$147.4 million to prevent or respond to avian flu outbreaks and prepare for a possible human flu pandemic for 11 countries. The international community’s instruments to address avian flu also include a newly established \$75 million multi-donor Avian and Human Influenza Facility, for which the Bank is the trustee.



World Bank Group

The Multilateral Investment Guarantee Agency (MIGA)

Request: \$1.1M

The Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group, was chartered in 1988 to encourage foreign direct investment by providing investment insurance (guarantees) against non-commercial risks (i.e., expropriation, transfer restrictions, currency inconvertibility, and political violence) in developing countries. OPIC has reinsured and co-insured U.S. investment projects in developing countries with MIGA.

The United States has no current payments due to MIGA. After the last appropriation in FY2006, arrears to MIGA totaled \$6.9 million and are needed to pay the remainder of the U.S. share of the 1998 General Capital Increase. The Administration is requesting \$1.1 million in FY2008 to help clear a portion of these arrears.

Key Facts

- The United States is the largest shareholder in MIGA with 32,833 shares, or 15.1% of the voting power, at the end of FY2006.
- U.S. investors account for 8.7 % of MIGA's gross portfolio, and MIGA has issued a total of 166 contracts to U.S. investors for about \$2.24 billion in coverage to support their investment projects in developing countries. While it is difficult to accurately determine the amount of foreign direct investment (FDI) that MIGA projects facilitate, MIGA's experience that \$1 of coverage facilitates \$6 of related investment suggests that as much as \$12 billion in FDI may have been facilitated. As of December 31, 2006, outstanding coverage for U.S. investors totaled \$412 million.
- During 2006, MIGA issued 66 new guarantee contracts, totaling \$1.3 billion in gross coverage. Twenty-one developing member countries benefited from these new MIGA guarantees and contracts were issued in IDA-eligible countries for \$317 million, representing 24% of MIGA's gross issuance that year in dollar terms.
- To date, MIGA has issued 839 guarantees worth \$16.0 billion. MIGA's total gross exposure outstanding is \$5.4 billion.
- MIGA paid no claims in 2006. MIGA has paid three claims since its inception in 1988. The first claim, paid in 2000, was fully reimbursed by the government of Indonesia, and other claims were paid in Nepal and Argentina. There are three claims pending, two in Argentina and one in the Kyrgyz Republic.

Supporting U.S. Policy Priorities

Managing for Results

MIGA's success is broadly defined by the amount of foreign direct investment (FDI) that it is able to mobilize through the provision of political risk insurance. MIGA is currently exploring the introduction of a system to better measure the development impact of MIGA guarantees.





Promoting Private Sector Development

The largest area of activity for MIGA in 2006 was Europe and Central Asia, where MIGA supported projects worth \$600 million. The next most active region in 2006 was Latin America and the Caribbean, where MIGA issued \$242 million in guarantees. As a result of expiration and cancellations of existing contracts, MIGA's gross exposure in Africa increased only slightly from \$840 million to \$873 million. Exposure in Latin America declined from \$1.257 million to \$1.095 million, but exposure in Europe and Central Asia increased from \$2.303 million to \$2.500 million.

In 2006, MIGA issued coverage for nine projects under its Small Investment Program (SIP), which streamlines procedures for guarantees worth less than \$5 million. The guarantee total for these nine projects was \$24 million—much less than the average MIGA guarantee of \$50 million. The beneficiaries of the SIP include companies in the post-conflict settings of **Afghanistan** and **Sierra Leone**. In addition, several other MIGA guarantees support small and medium-sized enterprises (SME) by guaranteeing loans to banks that serve SME clients.

Technical Assistance and Advisory Services

In addition to guarantees, MIGA offers long-term technical assistance to help countries attract foreign investment and promote exports through investment promotion agencies and programs.

Within the World Bank Group, MIGA has cooperated in technical assistance and investment promotion activities in a number of markets, including **Bangladesh**, **Sierra Leone**, **Tajikistan**, **Mali**, **Mozambique**, and **Nicaragua** among others.

Information Dissemination

In 2006, MIGA consolidated three of its online resources into one portal. Potential investors can use one web-site (www.fdi.net) to get customized information on investment opportunities and information on public and international organizations that provide financing and insurance.

Promoting good governance and fighting corruption

MIGA has taken steps to improve its AML/CFT procedures. MIGA relies on thorough due diligence of its clients and is working with the IFC and using its database subscription to check its prospective and existing clients.





World Bank Group

International Finance Corporation (IFC)

Request: \$0.0

The IFC is a member of the World Bank Group. Chartered in 1956, the IFC was created to promote private sector development, foreign investment, privatization, and efficient financial markets in developing countries. To this end, the IFC makes loans and equity investments in private sector projects in developing countries for its own account, mobilizes private capital alongside its own resources, and provides advisory and technical assistance services to advance the development of the private sector.

For FY2008, the Administration is not requesting any funding for the IFC.

Key Facts

- The United States is the IFC's largest shareholder, owning 23.7% of IFC's capital as of June 2006.
- The IFC is involved with private sector projects and municipal finance, and lends without a sovereign guarantee. Thus, the IFC is fully exposed to the commercial risks of its investments. For FY2006, IFC's net income totaled \$1.28 billion, down from the previous year's record of \$2.02 billion.
- In FY2006, the IFC committed \$6.70 billion in new investments in 284 projects. In addition, it mobilized another \$1.57 billion in capital from other commercial banks and other financial institutions through the B-loan program.
- At the end of FY2006, IFC's committed portfolio totaled \$21.63 billion (net of write-off adjustment and not including B-loans), consisting of \$16.41 billion in loans, \$3.91 billion in equity investments and \$1.31 billion in guarantees and other structured finance products. At the end of FY2006, outstanding commitments under the B-loan program totaled \$5.08 billion.

Supporting U.S. Policy Priorities

Monitoring and Demonstrating Results

The IFC's Development Effectiveness Unit (DE-Unit) monitors the results of IFC's investments and technical assistance and advisory services (TAAS). The DE-Unit has shown the Board the initial results from its new Development Outcome Tracking System (DOTS), which enables continuous monitoring of development impact for every project or technical assistance assignment.

Encouraging Private Sector Development

To highlight the importance of investment climate and to promote reform, the IFC together with the World Bank initiated in 2003 the "Doing Business" project (<http://www.doingbusiness.org>), which has developed quantitative indicators on business regulations and their enforcement across 175 developed and developing countries that can be tracked and compared over time. In April 2007, USAID and IFC will co-host a conference on the Doing Business indicators.





Promoting good governance and combating fraud and corruption

IFC promotes corporate governance by its borrowers and through the technical assistance provided through the IFC's private sector development facilities. For example, the IFC's program in **Russia** has helped 2,000 companies improve their corporate governance practices.

The IFC has led the World Bank Group in terms of aggressive monitoring of its clientele for money laundering and terrorism financing issues. It has introduced a computer screening system that uses two databases of international, national, and commercial watch lists to regularly screen all prospective and existing clients.

The IFC puts project summaries and environmental impact assessments for all projects in its pipeline on its website, which provides the public critical information on upcoming projects. The IFC's Independent Evaluation Group (IEG) has updated its disclosure policy to publish all of its reports as they are distributed to the Board except for revisions to correct errors, protect information protected by disclosure agreements, or individual project evaluations.

Responding to Post-Conflict Situations

The IFC has introduced a new Post-Conflict Initiative to work closely with the Bank Group in several African countries emerging from conflict. The IFC has begun engaging in **Liberia**, **Sierra Leone**, and the **Democratic Republic of Congo**.

Small and Medium Enterprise Development – Ramping up in Africa and the Middle East

- In March 2006, the Board approved a new technical assistance program for up to two years at 40 financial institutions who make a commitment to expanding micro and SME finance.
- The IFC has launched a number of programs in the SME sector such as a business skills training program in **Afghanistan**, supporting small olive oil firms in **West-Bank/Gaza**, and SME management training in **Yemen**.

Increasing Housing and Home Ownership

Mexico: The IFC has expanded its relationship with Hipotecaria Su Casita, a specialized financial institution that provides housing loans to low and middle-income people. The IFC recently extended an additional \$70 million to support mortgage origination.





Global Environment Facility (GEF)

Request: \$106.8M

Launched in 1991, the GEF provides funding (largely grants) for projects that provide global environmental benefits and support sustainable development. The GEF is legally a trust fund of the World Bank and funds projects that are implemented by other international agencies, including the World Bank, U.N. agencies, and regional development banks. The GEF has 176 member countries and a 32-member governing board. The GEF provides assistance only to the parts of projects that produce global environmental benefits. This benefits the United States directly by reducing harmful, long-lived chemicals in our air and water, protecting international marine resources (such as fish stocks), and by protecting carbon sinks like tropical forests.

For FY2008, the Administration is requesting \$80.0 million for the second of four payments toward a total U.S. contribution of \$320 million pledged during the fourth replenishment (GEF-4) and \$26.8 million to clear a portion of outstanding U.S. arrears.

Key Facts

- The U.S. share of total contributions in the GEF-4 replenishment is 14%, down from 21% in GEF-3. U.S. arrears to the GEF totaled \$169.8 million at the end of FY2006.
- Since its inception, the GEF has approved over \$6.2 billion in grants, leveraging over \$20 billion in pledged co-financing to support more than 1,800 projects in over 155 countries.
- The GEF's projects fall into seven categories, or "focal areas." Cumulative allocations to these areas have been as follows: biodiversity conservation (36%); reducing or avoiding greenhouse gas (GHG) emissions (33%); international waters (15%); promoting sustainable land use (11%); cross-cutting projects (9%); phasing out ozone-depleting chemicals (3%); and reducing persistent organic pollutants (POPs) (2%).
- Top recipients of GEF resources have been: China (\$554 million), Brazil (\$306 million), Mexico (\$242 million), and India (\$239 million).

Supporting U.S. Policy Priorities

The GEF has produced clear global environmental benefits, particularly in climate change, biodiversity, and ozone-depleting substances. The GEF has, however, suffered from inefficiencies and management difficulties. A recent evaluation report found that it generally takes more than three years to prepare GEF projects for funding. Previous evaluations have identified significant shortcomings in terms of cost-effectiveness and measuring results. The United States has pursued a robust reform agenda to address these problems.

GEF-4 Replenishment

In August 2006, 32 donor governments pledged \$3.13 billion over four years for the GEF's Fourth Replenishment. The United States achieved important policy reforms during the negotiations, including:

- Streamlining the project cycle while preserving accountability and project quality.
- Revision of the GEF's focal area strategies to better target results.
- Implementation of a complete results management framework.





- Minimum fiduciary standards for all agencies implementing GEF projects.
- Establishing a process to expand performance-based allocation to all GEF activities.

Making Assistance Effective and Measuring Results

In the past two years, the GEF has made notable progress in instituting a performance-based allocation system, a key GEF-3 commitment it had previously failed to implement.

- The GEF's Resource Allocation Framework (RAF) will govern resource allocation during GEF-4 for biodiversity and climate change. It will prioritize investment to countries with strong performance and a high potential to generate global environmental benefits.
- Preparatory steps to introduce the RAF are already showing benefits in terms of project prioritization, increased transparency, and enhanced country ownership.

While the GEF needs to make further progress in terms of targeting, measuring, and reporting on results, in recent years, it has improved its performance in this area.

- The GEF exceeded the GEF-3 performance targets in the climate change focal area. It is estimated that projects approved during GEF-3 will reduce or avoid 400 million metric tons of GHG emissions—equivalent to Spain's annual GHG emissions.
- Projects approved during GEF-3 will result in the establishment of 63 new protected areas with a combined surface area equivalent in size to Nebraska.
- An urban transportation project in Jakarta, Indonesia approved in 2006 should cut GHG emissions by over 30 million tons and lead to a 30% increase in passengers switching from private automobiles to buses.
- A completed project supporting Costa Rica's system for "ecosystem service payments" resulted in private land owners placing 4% of Costa Rica's land area under protection.

Promoting Good Governance

GEF capacity building projects improve the ability of governments to promulgate and enforce laws and regulations relating to the environment, which are vital to good governance in resource-dependent developing countries. GEF projects also enhance public awareness and broaden public participation in environmental-sector decision making. The GEF's international waters program has improved governance at the international level over shared resources.

- The GEF is assisting over 120 countries to strengthen national laws and regulations and enforcement capacity to phase out dangerous substances like dioxin and DDT.
- A GEF project in the Pacific Ocean led to the conclusion of an international treaty to improve management and protection of tuna and of other highly migratory fish stocks.





Inter-American Development Bank Group

Inter-American Development Bank (IDB) and the Fund for Special Operations (FSO)

Request: \$0.0

The Inter-American Development Bank Group is composed of the Inter-American Development Bank (IDB), the Multilateral Investment Fund (MIF), the Fund for Special Operations (FSO), and the Inter-American Investment Corporation (IIC). The primary goal of all the elements of the Bank Group is the reduction of poverty by promoting economic growth.

The United States co-founded the IDB in 1959. The Bank's primary lending window is the non-concessional Ordinary Capital (OC). In the last replenishment for the Bank (IDB-8) in 1994, the United States agreed to purchase shares of paid-in capital worth a total of \$153.7 million, with subscriptions to be provided in six equal installments from 1995 through 2000.

The FSO is the concessional window of the IDB and focuses on economic development in the hemisphere's poorest nations: Bolivia, Guyana, Haiti, Honduras, and Nicaragua. The FSO makes concessional loans with interest rates of 1% to 2% and maturities of up to 40 years to help these countries address critical development needs. The FSO was established at the same time as the Bank in 1959. In 1998, after two years of negotiations, an agreement was reached on a U.S.-initiated proposal that allows a \$7.5 billion program through 2008 that is being implemented at zero additional cost to the United States. Currently the FSO allocates \$400 million to the eligible countries on the basis of performance.

For FY2008, the Administration is not requesting any additional funding for the OC or for the FSO.

Key Facts

- The United States is the largest historical contributor to the IDB and is the largest shareholder with 30% of both shares and votes in the institution. The United States is the largest contributor to the FSO, providing over 50% of the total funds pledged over the history of the fund, giving the United States a veto over FSO projects.
- In 2006, IDB made new lending commitments of \$5.6 billion and has made lending commitments totaling \$148 billion since its inception.
- The FSO made 26 new loans for a total of \$614.5 million in 2006, bringing the cumulative total to 1,199 loans for \$18.1 billion.

Supporting U.S. Policy Priorities

Making Assistance Effective and Measuring Results

IDB management in 2006 proposed a sweeping realignment of the structure of the Bank. The purpose of the realignment is to shift the business model of the Bank to better reflect the changing economic conditions of the region. The Board of Directors approved the realignment, including the creation of three new Vice Presidents in December.





An important element of the realignment will be the adoption of a performance management framework. The goal is to create incentives for Bank staff that are linked to the development effectiveness of their work. The implementation of this framework, establishing process, identifying metrics, incentives, and lines of authority, will begin in 2007.

With the 2007 budget, the Bank has established a matrix for measuring management's performance against a set of indicative targets. The 2007 budget will form the base line against which future performance will be measured. The targets will be redefined as needed in light of the realignment of the Bank's internal structure.

Good Governance and Fighting Corruption

During 2006, the IDB approved 25 projects for government reform, for a total of \$1.4 billion, or 23.1% of the total volume of projects approved.

- **Chile:** Support for Subnational Governance. The \$50 million project will improve the provision and management of services at the sub-national level and build local management capacity.
- **Brazil:** Strengthening of Institutional Capacity for Regulatory Management. The \$3.9 million project aims to improve the quality of regulation by improving capacity for analysis and monitoring.
- **Honduras:** Reform of Public Procurement Management and Controls. The \$30 million policy-based loan will focus on procurement management and the public-sector control environment.

Private Sector Development

In 2006, the Board approved 21 private-sector operations—nine direct loans and 12 guarantees totaling \$903.8 million. Nine of the guarantees were under the \$400 million regional trade finance facilitation program approved in 2004. Private sector projects included: an electric transmission line in **Chile**, an integrated electric cogeneration facility for a sugar mill in **Brazil**, and a warehouse facility in **Mexico**.

At the request of the Governors of the Bank, management prepared an Integrated Business Plan for the private sector operations. The plan proposes a two phased approach:

- (1) The first phase will be implemented along with the realignment of the Bank, including the appointment of a Vice President for the Private Sector, and will define target markets for the separate private sector entities of the Bank Group (IDB, IIC, and MIF), allocate market segments to the respective entities to prevent overlap, and centralize marketing.
- (2) The second phase, will endeavor to restructure the Bank Group's private sector operations along functional lines and consolidate all back office operations.





Inter-American Development Bank Group

Multilateral Investment Fund (MIF)

Request: \$29.2M

The MIF, established in 1992 and administered by the Inter-American Development Bank (IDB), works directly with private sector and public sector partners to strengthen the environment for business, build the capabilities and skills standards of the workforce, and broaden the economic participation of smaller enterprises. MIF's ability to partner directly with NGOs and business groups, as well as government entities, has made it an important instrument for reaching out to a broader spectrum of groups in the development process. MIF projects incorporate a significant degree of counterpart financing with a goal of having 50% of project cost borne by local counterpart contributions. The MIF is providing highly-focused support for new private sector development and privatization in Latin America and the Caribbean through provision of technical assistance on regulatory and legal reforms, re-training of the workforce, and increasing productivity and competitiveness of small businesses and micro-enterprises.

For FY2008, the Administration is requesting \$25.0 million for the second installment of the first replenishment of the MIF (MIF-II) and \$4.2 million to pay a portion of outstanding U.S. arrears.

Key Facts

- The United States and Japan are the largest contributors. Each pledged \$500 million of the original \$1.15 billion fund. Negotiations for the first replenishment of MIF were completed in early 2005, with the United States pledging \$150 million and Japan pledging \$70 million out of a total of \$502 million, to be paid in six equal installments beginning in 2007.
- In 2006, the MIF donors approved 111 technical assistance and investment projects totalling \$128.5 million, of which 99 were grant projects totalling \$75 million. Since its inception in 1992, the MIF has approved 902 projects for a total committed value of over \$1.1 billion. Including counterpart funds, this amount has reached some \$2.2 billion in commitments to MIF projects throughout the region.

Supporting U.S. Policy Priorities

MIF-II Replenishment: In January 2005, MIF Donors agreed to replenish the fund starting in FY2007. Five new countries will join MIF-II and total pledges received were \$502 million. The United States was successful in reaching its objectives of improving procurement policy, pressing for results oriented projects, increasing efficiency, and instituting a sunset clause. We were also successful in securing a commitment to MIF-II grant funding at MIF-I historical levels (roughly 75% of all approvals).

- Procurement—IDB adopted a new procurement policy in early 2005. The MIF-II agreement commits MIF to using the new policy.
- Managing for Results—MIF is committed to working with the IDB's Office of Evaluation and Oversight (OVE) to adapt the Project Evaluability Assessment Tool for MIF projects, work with OVE to review projects ex-ante for their evaluability and ex-post for their effectiveness, develop indicators for measuring project innovation, sustainability, contribution to private sector development, and lessons learned.
- Increasing Efficiency—The goal is to improve executing agency ability to measure results and establish a monitoring system to manage project performance.





- **Sunset Clause**—The MIF-II agreement runs until December 31, 2015 and may be renewed for no more than one additional period of up to five years.

Making Assistance Effective and Measuring Results

Ex-post evaluations—With Donors approval in 2006, MIF will launch an impact evaluation program aimed at obtaining a more in-depth understanding of the impact and development effectiveness of MIF projects. The impact evaluations will be carried out 2 or 3 years after a project or a group of projects have concluded their execution.

Measuring results—MIF implemented specific activities designed to establish or strengthen the capacity of executing agencies to monitor their projects based on results including the establishment of baseline data, data collection systems, and performance indicators. MIF is leading the IDB Group's effort on remittances, with 24 pilot projects for \$52.8 million committed to date. MIF works with other IFIs in developing better measurement of these flows (estimated at \$45 billion in 2005).

Better Development Results: Grants for **Costa Rica, Guatemala, El Salvador, and Nicaragua** (\$100,000-450,000 each) were approved to strengthen results-based management by the governments in areas such as planning, budgeting, public investment, procurement, auditing and control.

Private Sector Development

80% of MIF projects are undertaken in direct partnership with the private sector. In 2006, MIF continued to finance projects to increase small and medium enterprise (SME) access to credit by developing financial institutions in rural areas, increasing the impact of worker remittances on development, and assisting bank and non-bank institutions to develop new credit vehicles such as factoring and franchising. MIF projects to support SME development ranged across all sectors, including agriculture, tourism, manufacturing, and services. The Small Business Networks and Supply Chains cluster works to assist SMEs to increase their opportunities for growth by becoming suppliers to large businesses and exporters.

Fighting Corruption and Improving Transparency

Anti-Money Laundering: In November 2005, the MIF approved a Financial Market Security grant for six countries in Latin America to strengthen regional systems and mechanisms for preventing money laundering.

Performance Monitoring Reports: With the revamping of the MIF website all performance monitoring reports, evaluations and project completion reports corresponding to all approved projects will be posted and available to the public.



Inter-American Development Bank Group

The Inter-American Investment Corporation (IIC)

Request: \$7.3M

The Inter-American Investment Corporation (IIC) was established in 1984 to promote private small and medium-size enterprises (SMEs) in Latin America and the Caribbean. Through a combination of direct loans to and equity investments in individual companies, lending through private local banks, and participation in regional equity funds, the IIC helps SMEs obtain affordable capital to start up, expand, or modernize their operations.

For FY2008, the Administration is requesting \$7.3 million to clear a portion of outstanding U.S. arrears to the IIC.

Key Facts

- The United States is the largest single shareholder in the IIC, with 23.8% of the total shares. The U.S. commitment in the first general capital increase, approved in December 1999, was for \$125 million out of a total increase of \$500 million.
- In 2006, the IIC approved 43 projects totalling \$629 million. In 2006, the IIC made substantial progress toward meeting the goal set in the 2004 Nuevo Leon Declaration, aimed at increasing finance to small and medium enterprises. Through October 2006 the IIC had net active approvals of \$465 million and expects to exceed the target of \$630 million for tripling finance to SMEs in 2007.
- Since its inception the IIC has approved 432 projects, totalling \$2.6 billion. Of these, 169 projects, representing \$940.1 million, remain active. To date, the IIC has disbursed over \$183 million for equity investments (directly to SMEs or financial institutions and also to SMEs through private equity funds).

Supporting U.S. Policy Priorities

Making Assistance Effective and Measuring Results

IIC has implemented a project evaluation system based on guidelines developed by the Evaluation Cooperation Group of the MDBs.

- IIC's evaluation function includes project self-evaluation by IIC's investment officers and independent evaluation by the IDB's Office of Evaluation and Oversight (OVE).

The IIC adopted a new Operating Policy in 2006, which consolidates a wide range of policies contained in separate documents. The new operating policy articulates the rules and guidelines that govern IIC activities.

Private Sector Development

The IIC and the MIF strengthened ties to support SMEs signing a memorandum of understanding in March 2004 to improve support for SMEs through the financial sector. The Small Business Revolving Line (SBRL), initiated in 2006, enables the IIC to offer standardized small loans to eligible SMEs under an expedited approval process with limits for individual operations. The SBRL approved seven operations in 2006 for a total of \$1.5 million.





- Latin American Agribusiness Development Corporation—The IIC provided \$6 million to promote private sector investment and employment in the rural areas of Latin America and the Caribbean through investments in export oriented agribusiness.

Among the direct operations approved during 2006, five loans (three in the agribusiness sector and two in the manufacturing sector) were approved under the supply chain program, which seeks to use IIC financing to help strengthen the relationships between large companies and their small and medium suppliers.

Improving Transparency and Fighting Corruption

IIC adopted a new Information Disclosure policy in October 2005. The policy considerably expands the scope of information to be disclosed to the public and establishes the principle that all information concerning the corporation and its activities should be publicly accessible unless there is a compelling reason for confidentiality.

To enhance implementation efficiencies and consistency of action within the IDB Group, the Board approved the IIC's participation in the IDB's oversight committee on fraud and corruption when allegations of fraud or corruption are considered.



Asian Development Bank Group

Asian Development Bank (AsDB)

Request: \$0.0

The AsDB was established in 1966 to promote sustainable economic development, reduce poverty, stimulate private sector-led growth, and facilitate sub-regional cooperation in the Asia-Pacific region. The AsDB's hard loan window (Ordinary Capital Resources-OCR) provides assistance in the form of loans, guarantees, equity investments and co-financing to governments and private sector projects at market rates. AsDB lending is financed by bond issues on the international financial markets, loan repayments, and interest earnings on existing loans. The AsDB has a AAA credit rating.

The AsDB is funded through periodic capital increases and through capital market operations. In FY2000, the United States made the final payments for its subscription to the Bank's last general capital increase (GCI-4).

For FY2008, the Administration is not requesting any funding for the AsDB.

Key Facts

- The United States is a founding member of the AsDB. The United States and Japan are the largest shareholders; each holds a 15.7% share in the institution and 12.9% of the votes.
- In 2006, the AsDB approved \$6.1 billion from the OCR window, which includes rapidly growing private sector assistance amounting to \$1.5 billion. The AsDB also provided \$242 million for 267 new technical assistance projects in 2006.
- The AsDB's OCR assistance in 2006 went toward financial sector development (28%), energy (21%), transportation (20%), multisector (lending which overlaps two or more sectors) (13%), and water supply, sanitation and waste management (7%).

Supporting U.S. Policy Priorities

Managing for Results

Key components of the AsDB's results strategy are to incorporate results measurement methodologies into its lending operations and institutional processes, and to adopt results-based country strategies and programs. In 2006, the AsDB advanced its results agenda and revised its action plan in an effort to mainstream results-based approaches across the Bank and to build on its previous experiences in developing countries. The AsDB's results agenda is composed of three pillars:

- (1) To support borrowers' capacity to manage for results through targeted technical assistance (TA) and other programs. In 2005-2006, the AsDB financed 13 TA projects aimed directly at improving the ability of its borrowers to make development assistance more effective through better statistical and budget systems.
- (2) To incorporate a results focus into the AsDB's operations in borrowing countries—going forward all country strategies prepared by the AsDB will be results-based, including a results framework and monitoring plan.





- (3) To build effective partnerships globally to achieve better results through its participation in global knowledge-sharing exercises. In 2006, the AsDB designed and coordinated the first multilateral development bank Common Performance Assessment System Report.

Private Sector Development

With persistent U.S. support, the AsDB has significantly expanded and diversified the scope and scale of its private sector activities. The AsDB has initiated new projects on securitization and microfinance and expanded operations into several new countries, such as **Azerbaijan, Kazakhstan and Cambodia**. In 2006, 25 private sector loans, equity investments, and guarantees were approved for \$1.5 billion, which is almost twice the volume of 2005.

- In **Afghanistan** in 2006, a \$56 million grant was extended for private sector and financial market development to strengthen the enabling environment for private sector development and improve the private sector's access to financial services. This will lead to a more sound financial system and improved financial intermediation, which will support sustainable economic growth and job creation in Afghanistan.
- In **Pakistan**, the AsDB extended a \$30 million loan to continue its work on small and medium enterprise (SME) development. In addition to improving the business climate for SMEs, this program is expected to enhance the competitiveness of SMEs through increased access to financial and business development services, which will lead to further economic growth and job creation.
- In **Bangladesh**, the AsDB extended a \$4 million technical assistance loan to improve good governance practices in the capital markets and insurance sectors. Reforms and internal best practices supported by this program will help mobilize resources for private sector growth and further economic development.

Good Governance and Fighting Corruption

The United States has been the leading voice at the AsDB to press for stronger internal controls and procurement rules and procedures. In September 2006, the AsDB and other multilateral development banks adopted a common set of definitions of corrupt and fraudulent practices. The Bank has put in place an independent accountability mechanism to ensure it is responsive to the queries and concerns of civil society and, specifically, to those persons adversely impacted by AsDB projects.

The Integrity Division of the AsDB's General Auditor (OAG) screens complaints of fraud and corruption to assess the need for further investigation; investigates allegations; conducts audits of a project's procurement or financial management procedures; and collaborates with other AsDB operational units to provide fraud and corruption awareness training for AsDB staff, government officials and contractors. The OAG published its annual report on anti-corruption activities on the web.



Asian Development Bank Group

Asian Development Fund (AsDF)

Request: \$133.9M

Since 1973, the Asian Development Fund (AsDF), the AsDB's concessional financing window, has provided financing and policy advice to the poorest countries in the Asia-Pacific region. AsDF funds are primarily used by those member countries with low per capita incomes and limited debt-repayment capacity to promote economic growth and reduce poverty. AsDF operations are financed by periodic financial replenishments from donors, as well as repayment inflows and annual contributions from net income of the AsDB.

For FY2008, the Administration is requesting \$115.3 million for the third installment of a four-year commitment under the agreement of the eighth replenishment of the AsDF (AsDF-9) and \$18.7 million for outstanding U.S. arrears to the AsDF. The U.S. total four-year commitment for AsDF-9 of \$461 million contributed to a total \$7 billion replenishment, which will provide \$1.47 billion in grant assistance.

Key Facts

- The United States is a founding member of the AsDF. The United States' AsDF-9 commitment accounted for 13.7% of total donor contributions, following Japan (35%) which is the largest contributor to the AsDF.
- In 2006, the AsDF approved loans and blended grants of \$1.6 billion. The key sectors of the AsDF were: agriculture and natural resources (25%); transport and communications (19%); education (17%); finance (11%); and energy (6%).
- Currently, 33 countries are eligible to receive AsDF resources. Neither China nor India can access AsDF funds, because of the large size of their economies and their access to other sources of financing, including global capital markets.

Supporting U.S. Policy Priorities

The United States achieved key policy objectives in the *AsDF-9 replenishment* discussions that concluded in May 2004:

Grants: For the first time, the AsDB agreed to implement a grants window in AsDF-9 to enable the poorest and most debt vulnerable countries greater access to Bank funds for economic development. A total of \$524 million (36% of the total \$1.47 billion allotted in AsDF-9) has been approved for grants through 2006. Afghanistan is the largest recipient of AsDF grants.

Alignment with IDA Grants Framework: The AsDB will align the AsDF grants framework with that of IDA-14, including adopting the debt sustainability framework (DSF) to determine eligibility.

Transparency: As part of its institutional reforms, the AsDB is taking positive steps to improve its public communications and disclosure policies to increase transparency. A new public communications policy is in place and information on project preparation is accessible on the AsDB's website.





Measuring Results

At the country level, new country strategy programs (CSPs) will now be results-based, which means more effective monitoring and evaluation processes and dissemination of best practices and lessons learned.

- As of December 2006, the AsDB Board of Executive Directors had endorsed eleven results-based CSPs: **Bangladesh, Bhutan, Mongolia, Nepal and the Philippines, Fiji Islands, Indonesia, Papua New Guinea, Uzbekistan and Vietnam.**
- The October 2006 CSP for **Vietnam** included a results framework that measures the impact of the AsDF's program and a matrix summarizing the joint strategy and division of labor between the AsDF, Japan, World Bank and other donors. The country strategy focuses on creating a more enabling environment for private sector growth, advancing human development and environmental protection, and increasing transparency and accountability in public finances.

Governance, Supporting Good Performers and Fighting Corruption

AsDF's performance-based allocation (PBA) system went into effect in January 2005. The system was further strengthened by increasing the governance weight (from 30% to over 50%) in measuring country performance.

- In the **Pacific Region**, the AsDB approved regional technical assistance program (TA) of \$1.6 million for Strengthening Governance and Accountability in the Pacific Island Countries in December 2006. The project aims to improve public auditing capacity in Pacific Island countries and strengthen the governance and anticorruption orientation of the AsDB's country strategies in the Pacific Region.
- **Afghanistan** has suffered from a critical lack of communications infrastructure, a vital part of the country's redevelopment effort, health care and security. In 2004, the AsDB approved a \$35 million loan to finance expansion of the mobile cellular telephone network and, as a result, subscribers expanded from 40,000 to 800,000. This project served to increase competition, lower prices, promote regulatory reform, increase cell phone service, and attract more license seekers into the sector. *Among international and Afghan officials working on the ground, the telecommunications sector is now considered the most successful demonstration of the private sector at work in Afghanistan.*

Improving Transparency

In August 2006, the Bank launched a new Governance and Anticorruption Action Plan to improve anticorruption efforts at the institutional and country level and the effectiveness of AsDB's development assistance. Under the plan, borrowers are required to make public all contract awards, among other requirements. Better mechanisms to report allegations of fraud and corruption will give staff the incentive and protection to take action.

Program Assessment Rating Tool (PART)

OMB completed a PART examination of the AsDF in 2005. The AsDF received high scores in Program Management (89%) and Program Purpose and Design (80%) but lower scores in Strategic Planning (62%) and Program Results and Accountability (25%). The overall assessment rating was "Results Not Demonstrated", largely because the proposed reforms to improve development effectiveness were under implementation and the indicators to measure results were in the process of being developed.





African Development Bank Group

African Development Bank (AfDB)

Request: \$2.0M

Established in 1964, the AfDB is the non-concessional lending window of the African Development Bank Group. The AfDB's mission is to promote sustainable economic growth and reduce poverty in Africa. It lends at market-based rates to creditworthy, middle-income African countries with limited access to capital markets in order to finance key poverty reduction programs and economic policy reforms. The AfDB's lending operations are financed by bond issues on the international financial markets—the Bank is a AAA-rated borrower—and by its international investment portfolio, and internally generated funds.

The United States has been a member of the AfDB since 1983. In 1998, the Bank's shareholders agreed on a 35% general capital increase (GCI-5) to strengthen financial ratios and improve corporate governance. The agreement also increased the influence of the non-regional shareholders, including the United States. The total amount of the capital increase was approximately \$7 billion, the U.S. share of which is 5.8%. The total U.S. paid-in capital commitment is \$40.8 million over 8 years, or about \$5 million per year.

For FY2008, the Administration is requesting \$2.0 million to clear the outstanding arrears on U.S. payments to purchase shares of GCI-5.

Key Facts

- The United States is the largest non-African shareholder, with 6.5% of the total votes, and the second-largest shareholder overall. Nigeria is the largest shareholder with 8.8%.
- In 2006, the AfDB approved a total of \$1.4 billion in loans, grants, and investments. The key sectors of AfDB's loans and grants were: finance (53%) (primarily composed of one large operation in Egypt); transport (11%); and water supply and sanitation (7%).

Supporting U.S. Policy Priorities

Managing for Results

In early 2007, President Kaberuka plans to present a new set of Key Performance Indicators to the Board in order to better inform and guide the institution's progress toward achieving meaningful results.

Project supervision is being strengthened by tracking progress towards results, rather than project activities and inputs. All public and private sector projects are now designed with a matrix of project results indicators.

In the first quarter of 2007, the Bank for the first time will publish on its web site specific indicators and results of projects under implementation and at completion.

Private Sector Development

In his 2006 re-organization of the AfDB, President Kaberuka elevated the AfDB's work on private sector into a new Vice Presidency for Private Sector, Infrastructure and Regional Integration. In May 2006, the AfDB Board approved a new micro-finance strategy to make its engagements in this critical area more effective.





- In 2007, the Bank plans to vastly step up the AfDB Bank Group's engagement in infrastructure, estimating that over 50% of the Bank Group's new financing will be for this critical sector.
- The Bank now serves as the Secretariat for the Infrastructure Consortium for Africa (ICA). The ICA will serve a crucial information-sharing role to help donors, the private sector and African countries collaborate in addressing the continent's urgent infrastructure needs.

Good Governance and Fighting Corruption

At the request of the United States, the AfDB posted on its web draft whistleblower protections for AfDB staff in order to seek external comment. These protections are scheduled for Board approval in early 2007.

The Bank has an Anti-Money Laundering group to tackle systematically anti-money-laundering and terrorist financing issues and plans to submit a Strategy on Money Laundering and Terrorist Financing to the Board in the first quarter of 2007.

The Bank is finalizing a strategy to guide its country work on governance and anti-corruption, which is expected to come to the Board in early 2007. A new Department of Governance, Economic and Financial Sector Management has been created to enable the Bank to play more of a leadership role in the critical area of governance. The AfDB now has an effective Anti-Fraud and Corruption Unit that has concluded several investigations and is working on several more.

Improving Transparency

In response to U.S. urging, the AfDB now publicly releases the summaries of Board of Executive Directors' discussions.

Prospective project briefs for public sector projects are disclosed at least six months prior to presentation to the Board of Executive Directors, while all draft policy and strategy papers are released via the AfDB website at least 50 days prior to Board presentation.

As noted above, for the first time ever, the Bank will post on its website in early 2007 indicators and results of projects under implementation and completion.





African Development Bank Group

African Development Fund (AfDF)

Request: \$140.6M

The AfDF began operations in 1974 as the concessional affiliate of the African Development Bank Group. It provides grant financing and loans on highly concessional terms to Africa's poorest countries. AfDF financing supports investments in health, education, agriculture, water supply and sanitation, and infrastructure needed for poverty reduction, and promotes basic economic policy and institutional reforms needed for sustainable economic growth and development. AfDF operations are financed primarily by periodic financial infusions from donors (replenishments), as well as repayment inflows and annual contributions from the net income of the AfDB.

For FY2008 the Administration is requesting \$135.7 million for the final installment of a three-year commitment under the agreement for the tenth replenishment of the AfDF (AfDF-10) and \$4.9 million to pay a portion of outstanding U.S. arrears to the AfDF. The U.S. total three-year commitment for AfDF-10 of \$407 million contributes to a \$5.4 billion total replenishment.

Key Facts

- The United States is the second-largest contributor to the Fund (after Japan), having paid more than 12% of the total cumulative contributions as of end-September 2006. In the current AfDF-10 replenishment, the U.S. share is 8.5% (second to France at 9.2%).
- In 2006, the AfDF approved loans and grants totalling \$1.7 billion. This financing focused on the following key sectors: transport sector (24%); social sector operations (education and health) (20%); agriculture and rural development (17%); and water supply and sanitation (13%).
- In 2006, the AfDF made the Multilateral Debt Relief Initiative effective, which has greatly improved the debt positions of Africa's poorest nations. In 2006, the AfDF provided over \$550 million in grants to countries not yet able to take on AfDF loans.
- Currently 39 African countries are eligible for AfDF financial support, which has amounted to \$24 billion since 1974.

Supporting U.S. Policy Priorities

In the *AfDF-10 replenishment*, the United States secured key policy objectives:

- A debt sustainability framework to determine a country's financing terms;
- Enhanced management for results on the ground;
- Improved focus on private sector development;
- New capacity to assist post-conflict countries in clearing arrears to the AfDB group under the new Post-Conflict Country Facility (PCCF); and
- Expanded information disclosure of the Bank's activities and policies.





Measuring Results

Country Strategy Papers are now results-based and require a results framework, clear indicators to monitor progress in implementation and achievement of results. All AfDF operations now contain results-based matrices summarizing targeted impacts, their timeframe, and the critical assumptions or risks to be monitored.

In 2006, the AfDF approved a \$60 million project for maternal and child health in **Tanzania**. The project aims to reduce the rate of women dying in childbirth from 578 per 100,000 live births to 265 by 2015. The infant mortality rate, meanwhile, is aimed to fall from 95 per 1,000 live births to 50.

To help countries build capacity to better manage for results, the Bank is coordinating the International Comparison Project for Africa (ICP). ICP helps countries (1) collect socio-economic statistics for cross-country comparison; (2) increase capacity to generate and manage the data; and (3) develop national accounts data.

Promoting Private Sector Development and Building Infrastructure

- In 2006, the AfDF approved two different operations to support women entrepreneurs in **Cameroon** and **Mozambique**.
- In 2006, AfDF approved a rural electrification project in **Ethiopia**, which is targeted at more than doubling power production capacity between 2006 and 2011, while increasing the electricity access rate from 17% to 50%.
- The Montepuez-Lichinga Road Project in **Mozambique** aims to increase the length of primary roads surfaced by bitumen from 76% to 98% by 2015. The project also aims to improve utilization of the Pemba port from 15% of current capacity to 50% of capacity by 2011.

Post-Conflict and Emergency Assistance

- The United States has been working closely with the Bank Group to ensure that **Liberia** receives timely and appropriate assistance from the post-conflict country facility (PCCF) as early as possible in 2007. Also, the AfDF approved a project in 2006 to build capacity in the Liberian civil service. It will support basic critical public financial management systems that will be necessary to serve the economy in a transparent and effective way.
- In 2006, the PCCF assisted the **Central African Republic** in clearing its arrears to the Bank Group in order to regain access to the full range of the Bank's assistance.
- In 2006, the Bank Group extended six grants to assist efforts in **Egypt, Nigeria, Sudan, Ethiopia, Djibouti, and Tanzania**, as well as two grants for multinational efforts in West Africa to combat the Avian Flu. The Bank is finalizing its strategy to help control and prevent Avian and Human Pandemic Influenza in Africa.

Program Assessment Rating Tool (PART)

OMB completed a PART examination of the AfDF in 2003. The AfDF received high scores in Program Management (100%) and Program Purpose and Design (80%), but lower scores in Strategic Planning (63%) and Program Results (33%). The total program score was 59% with an overall rating of "Results Not Demonstrated," reflecting the fact that the Bank's new results measurement framework had not yet been fully implemented.





European Bank for Reconstruction and Development (EBRD)

Request: \$10,157

The EBRD was created in 1991 to foster the transition to open market-oriented economies by promoting private sector development, foreign investment, privatization, and efficient financial markets in Central and Eastern Europe and the countries of the former Soviet Union. The Bank's countries of operation are expected to be "committed to and applying the principles of multiparty democracy, pluralism, and market economics." The Bank also has a mandate to promote environmentally sound and sustainable development.

For FY2008, the Administration is requesting \$10,157 to pay outstanding U.S. arrears to the EBRD.

Key Facts

- The United States is the single largest shareholder in the EBRD with a 10% share.
- Since its inception, the EBRD has financed approximately \$40 billion in loans and equity investments, contributing to investments in the region worth over \$125 billion. In 2006, the EBRD committed \$6.1 billion for new projects and disbursed \$4.8 billion.⁶
- EBRD develops the private sector through loans and equity investments in private businesses and by mobilizing private capital alongside its own resources. The focus on private sector development is strong: 75% of its cumulative finance is invested in private sector projects, well over the charter requirement of 60%.
- The EBRD also provides loans for projects in the public sector, with and without sovereign guarantees, to facilitate commercialization and/or privatization of state-owned enterprises and public utilities or the restructuring of municipal services.

In 2004, eight of the EBRD's countries of operation, which now have open market-oriented economies, joined the European Union (EU). Two other countries (Romania and Bulgaria) joined in January, 2007. The focus of EBRD activity will shift further to the South and East with concrete plans to "graduate", by the end of 2010, the eight countries of operation that joined the EU in 2004. Their graduation is a result of their successful transition to open market-oriented economies and multiparty, pluralistic democracies the EBRD's objective as stated in its charter.

Supporting U.S. Policy Priorities

Promoting Good Governance, Increased Transparency and Fighting Corruption

The Chief Compliance Office (CCO) has been expanded, and issues such as integrity risk and reputational risk are now receiving increased attention. A new Code of Conduct was adopted in 2006 requiring full financial disclosure for employees, management and members of the Board. The CCO has made progress in harmonization of procurement rules across the multilateral development banks. New and improved integrity guidelines for staff have been implemented, including mandatory attendance of integrity workshops, and the EBRD has begun issuance of an annual Anti-Corruption Report, available at <http://www.ebrd.com/about/integrity/report.pdf>. The CCO conducts anti-money laundering (AML) seminars in the countries of operation. These seminars are open to staff from client banks as well as non-client banks and serve to edu-

⁶ Results reported as of 12/21/06, based on the average 2006 USD / EUR exchange rate of \$1.256 /€1.00.





cate the financial community regarding AML issues.

Measuring Results

The EBRD monitors each project's transition impact (1) prior to financing, (2) during project implementation, and (3) after project conclusion. In 2006, over 80% of new projects had a "potential transition impact" rating of satisfactory, good, or excellent; this was above the official Bank target of 75%. Of projects completed between 1996 and 2005, 77% were rated either Highly Successful or Successful in achieving their transition goals.

Supporting Good Performers

The EBRD reviews and updates Country Strategy documents for each of the countries in which it operates. This provides both a framework for the Bank's activities and an opportunity to upgrade/downgrade the specific country to account for changes in the political landscape, economic environment and a variety of other factors. More restrictive scenarios that do not allow for public sector projects are applied to those countries that are not moving towards open market economies and pluralistic democracies. Turkmenistan, Uzbekistan and Belarus are currently subject to those restrictive scenarios. As business environments improve, the EBRD can engage more actively, resulting in more projects in a wider range of sectors.

Improving Disclosure and Transparency

The EBRD adopted a revised Public Information Policy (PIP) in 2006. While this document contained many improvements including the disclosure of draft Country Strategy documents, the inclusion of salaries of Directors and senior management in the Annual Report and a range of new information regarding accountability and governance, the United States continues to push for increased disclosure.

Early Transition Countries Initiative (ETCI)

The ETCI was established in 2003 to focus the Bank's resources on the early and intermediate transition countries (ETCs) in Eastern Europe (Moldova) the Caucasus (**Georgia, Armenia, Azerbaijan**), and Central Asia (**Kyrgyz Republic, Tajikistan and Uzbekistan**). **Mongolia** became a country of operation in 2006. In 2006 there was an increased EBRD presence in these countries, including the opening of a new resident office in Ulaanbaatar (Mongolia) and the creation of a regional business hub in **Georgia**. The number of operations signed in ETC countries has steadily increased with 18 in 2003, 32 in 2004, 61 in 2005, 80 in 2006, and 90 operations projected for 2007. As at the end of the third quarter 2006, the annual share of EBRD activity in the ETCs was equal to 47%.





International Fund for Agricultural Development (IFAD) Request: \$18.1M

The International Fund for Agricultural Development (IFAD), established in 1977, is the only multilateral development institution focused exclusively on reducing rural poverty and hunger in poorer countries through agricultural development. Nearly 900 million (75%) of the world's 1.2 billion poorest people live in rural areas, largely as small-scale producers and subsistence farmers. Through low-interest loans and grants, IFAD develops and finances projects enabling some of the world's poorest people to increase their productivity and incomes, improve their nutritional levels and integrate into larger markets. IFAD designs innovative programs in agricultural production, financial services, rural infrastructure, livestock and fisheries, research and training and market and enterprise development.

Negotiations for IFAD's seventh replenishment (IFAD-7) concluded with a target level of \$720 million for the period 2007-2009 and an IFAD commitment to significant policy reforms to increase developmental effectiveness and institutional efficiency. The United States pledged \$54 million, a 20% increase over the U.S. contribution to IFAD-6.

For FY2008, the Administration requests \$18.0 million for the second of three payments to IFAD-7 and \$72,000 to clear a portion of outstanding U.S. arrears to IFAD.

Key Facts:

- The United States is the largest shareholder among the 164 IFAD members. Based on pledges to the seventh replenishment, the United States accounts for over 14.4% of cumulative contributions and exercises a 7.9% voting share.
- IFAD's ongoing 184 projects and programs assist 80 million poor rural men and women. They represent IFAD investments of more than \$2.8 billion toward total contributions of \$6.1 billion. In the past 27 years, IFAD has reached 300 million rural poor people in about 115 countries in 707 projects with total commitments of approximately \$9.0 billion.
- The 2006 program of work committed \$550 million in loans and grants of which \$35.1 million were for post-tsunami activities and \$26.4 million for the restoration of Pakistan earthquake-affected communities and households.

Supporting U.S. Policy Priorities

U.S. leadership in IFAD-7 led to key IFAD policy reform commitments that advance the Administration's overall goal of improving MDB performance through results-oriented programs. Commitments include:

- An Action Plan, with clear timelines, milestones, and concrete measures of performance.
- A strengthened performance based allocation system (PBAS).
- A debt sustainability framework, along the lines of IDA and the AfDF, that will provide higher levels of grants to the poorest and most debt vulnerable countries.
- Strengthened anti-fraud and corruption measures in a new policy that includes establishment of an investigative unit and whistleblower protection system, and stronger internal controls.





- Increased transparency measures under a document disclosure policy revised in 2006 that places IFAD at the forefront of transparency among the MDBs with disclosure of all Board documents at the same time that the documents are distributed to the Board.

Managing for Results and Increasing Effectiveness

During 2006, IFAD undertook important commitments to improve development effectiveness. IFAD eliminated regional allocations in its PBAS to improve effectiveness by rewarding better performing countries. IFAD adopted a new results-oriented country operating model: all country strategies and projects will have results frameworks. Policy dialogue and information and knowledge management activities will focus on a few, project-related country strategic objectives. IFAD approved a new targeting policy, a new strategic framework, streamlined Board document formats and a knowledge management strategy (under development). In addition, the new, potentially far-reaching supervision and implementation support policy will provide IFAD managers more direct authority, involvement, responsibility and accountability for results of IFAD-financed activities.

Reaching the Rural Poor

The new targeting policy will help ensure that IFAD resources reach truly poor people, who are often in remote, hard-to-reach areas, not supported by other donors. The targeting policy explicitly recognizes the often disproportionate percentage of women and ethnic minorities in the target group as well as the often risky nature of interventions to reach the extremely poor.

- For example, an IFAD project in **Benin** developed 44 Financial Service Associations to enhance small business access to financial services including a credit line and a risk fund. Evaluations demonstrated significant poverty-reduction impacts on target groups and improved socio-economic status of women.
- In **India**, the Tamil Nadu Women's Development Project pioneered the use of women's self help groups as an instrument for rural poverty alleviation, and in establishing linkages between self help groups (SHGs) and the formal financial sector. Extremely poor rural women in five districts enhanced their farm and crop development, animal husbandry and cottage and village industries. Women received training on a variety of financial, entrepreneurial, legal and social issues. Project impacts included 64% of project beneficiaries exceeding the poverty line during project implementation with families experiencing a 70% increase in incomes.



**North American Development Bank (NADBank)****Request: \$0.0**

The North American Development Bank (NADBank), and its sister institution, the Border Environment Cooperation Commission (BECC), were chartered under the North American Free Trade Agreement (NAFTA) to address the serious environmental problems in the U.S.-Mexican border region. NADBank is funded equally by the United States and Mexico and started operations in FY1995. It provides loans, guarantees, and grants for environmental infrastructure projects that have been certified by the BECC and are located, in the United States, within 100 km of the U.S.-Mexico border, or in Mexico, within 300 km of the U.S.-Mexico border.

For FY2008, the Administration is not requesting any funding for the NADBank. Congress has appropriated the full \$225 million in United States paid-in capital and authorized the full \$1.275 billion in United States callable capital.

Key Facts

- NADBank was created with \$450 million in total paid-in capital and \$2.55 billion in callable capital, to be subscribed equally by Mexico and the United States. To date, Mexico and the United States have contributed a combined total of \$348.8 million to the NADBank.
- 90% of NADBank's capital is dedicated to financing environmental infrastructure projects in the border region. The remaining 10% is allocated to separately-operated domestic programs in each country that assist communities in adjusting to the displacement of workers caused by trade liberalization. The U.S. program is called the Community Adjustment and Investment Program (CAIP).
- In 2006, NADBank approved 15 loans for \$167.12 million and one grant for \$500,000 for environmental infrastructure projects.
- Cumulative financing approved by NADBank for environmental infrastructure projects through December 2006:

Total loans:	\$266.2 million
Market rate loans	\$194.5 million
Low-interest rate facility (LIRF) loans	\$ 71.7 million
Total grants:	\$ 80.9 million
Solid waste environmental program (SWEP) grants	\$ 4.5 million
Water conservation investment fund (WCIF) grants	\$ 76.4 million

- NADBank also administers EPA-funded Border Environment Infrastructure Fund (BEIF) grants. BEIF grants totaled \$494 million through December 2006.

Supporting U.S. Policy Priorities

Though NADBank continues to face challenges in fulfilling its original promise, its portfolio grew considerably in 2006. NADBank approved 15 loans for \$167.1 million, more than doubling its loan portfolio from its first 10 years of operation. In 2006, the Bank also hosted two meetings of its Board of Directors after a two and a half year hiatus.





Despite the limited success in 2006, challenges remain. The Bank's core mission is market finance in a sector that is almost always subsidized. In the United States, potential borrowers have access to the municipal bond market and to other subsidized finance sources such as EPA-funded state revolving funds for drinking water and waste water projects. To date, only seven loans for \$24 million have been approved for U.S. borrowers.

Measure Results

- At its October 26, 2006 meeting, the Board of Directors directed the NADBank and BECC to establish a results measurement framework to measure project impacts on the environment and human health in the U.S.-Mexico border region. The establishment of a results measurement framework will be a priority for the NADBank and the BECC in 2007.

Promote Private Sector Development

- In 2006, the Bank was directed to conduct market studies relating to the private sector in order to: (1) develop a "roadmap" for efficient targeting of efforts to develop viable projects; (2) establish private sector lending targets; and (3) provide criteria for proposing new financial instruments for use in private sector project development.
- The NADBank is also involved in supporting the private sector through grants for studies to improve energy efficiency at industrial sites. Through a \$70,000 grant to the Tijuana Economic Development Council and the San Diego Regional Energy Office, energy audits of seven companies were conducted to identify energy efficiency projects that may be eligible for NADBank lending. Five studies conducted at maquiladoras and industrial facilities in Mexicali and Tijuana show that an investment of between \$1-2 million per facility can produce annual energy savings of up to 25%, reducing energy costs for the companies and overall energy demand in the region.

Support Good Performers

- The mission of the NADBank is to assist communities to become good performers in the areas of municipal administration relating to basic environmental services. Through programs such as its Institutional Development Program (IDP), the Bank provides grant assistance for institutional strengthening to help achieve effective and efficient operation of utilities, state and local government agencies, and other project sponsors involved in water, wastewater, solid waste management, water conservation, and all other sectors in which the NADBank operates.





Treasury International Programs: FY2008 Request

Summary of Accounts

Multilateral Development Banks

International Development Association (IDA): \$1,060,000,000 request includes \$950.0 million for the last of three payments to the fourteenth replenishment of IDA (IDA-14) and \$110 million to clear a portion of outstanding U.S. arrears to IDA. U.S. leadership secured a number of key objectives in the agreement, including: a debt sustainability framework that allocates resources to help countries avoid crippling debt burdens; grants totalling approximately 31% of total assistance to the poorest countries; and an expanded results measurement system that will help assess the impact of IDA funding at the project, sector and country levels.

Multilateral Investment Guarantee Agency (MIGA): \$1,082,000 request to pay a portion of outstanding U.S. arrears to MIGA.

Global Environment Facility (GEF): \$106,763,000 request includes \$80.0 million for the second of four payments to the fourth replenishment of the Global Environment Facility (GEF-4) and \$26.8 million to clear a portion of outstanding U.S. arrears to the GEF. During GEF-4 replenishment negotiations, finalized in 2006, the United States achieved an important set of policy reforms to improve the GEF's overall effectiveness, particularly with regard to project quality, portfolio management, resource allocations, transparency, and anti-corruption efforts.

Multilateral Investment Fund (MIF): \$29,232,000 request includes \$25.0 million for the second of six payments to the first replenishment of the MIF (MIF-II) and \$4.2 million to pay for a portion of outstanding U.S. arrears to the MIF. The United States achieved its key objectives in the replenishment negotiations, including: a strengthened commitment to measurable results; a strong focus on grants; allocation of resources to maximize innovation; and reform of the IDB's procurement guidelines.

Inter-American Investment Corporation (IIC): \$7,264,000 request to clear a portion of outstanding U.S. arrears to the IIC.

Asian Development Fund (AsDF): \$133,906,000 request includes \$115.3 million for the third of four payments to the eighth replenishment of the AsDF (AsDF-9) and \$18.7 million for outstanding U.S. arrears to the AsDF. In the AsDF-9 Agreement, the United States secured a number of important policy reforms, including: the formation of a grants window for the poorest countries; a significant increase in the weight of governance in determining country assistance allocations; strengthened internal oversight and risk management; increased transparency; and a stronger focus on private sector development.





African Development Bank (AfDB): \$2,036,730 request to pay outstanding arrears to the AfDB.

African Development Fund (AfDF): \$140,584,113 request includes \$135.7 million for the last of three payments to the tenth replenishment of the AfDF (AfDF-10) and \$4.9 million to pay a portion of outstanding U.S. arrears to the AfDF. U.S. leadership secured key objectives in the replenishment, including: a substantial increase in grant funding under an agreed debt sustainability framework; enhanced effectiveness to achieve measurable results on the ground; improved transparency and increased activities to fight corruption; and greater support to post-conflict countries.

European Bank for Reconstruction and Development (EBRD): \$10,157 request to pay outstanding arrears to the EBRD.

International Fund for Agricultural Development (IFAD): \$18,072,000 request includes \$18.0 million for the second of three payments to the seventh replenishment of IFAD (IFAD-7) and \$72,000 to help clear outstanding U.S. arrears. Negotiations on IFAD-7 concluded in December 2005, and the United States exercised significant leadership to achieve key objectives, including: an action plan to address key findings of the independent external evaluation for increasing the effectiveness of IFAD operations; a stronger performance based allocation system; a debt sustainability framework; and increased transparency and anti-corruption measures.

Debt Restructuring Programs

Debt Restructuring: \$207,300,000 request supports bilateral Heavily Indebted Poor Countries (HIPC) and poorest country debt reduction, HIPC Trust Fund, and the Tropical Forest Conservation Act (TFCA) programs. Under the enhanced HIPC initiative, the majority of the request will be used towards U.S. bilateral debt reduction for the Democratic Republic of the Congo (DRC), which is expected to qualify for final stock of debt reduction. The request also includes \$9 million to provide initial U.S. bilateral debt reduction for Liberia under the HIPC program, and \$20 million for TFCA programs. Depending on priority needs and timing, funds could be used for a U.S. contribution to the HIPC Trust Fund.

Technical Assistance Programs

Treasury International Affairs Technical Assistance: \$24,800,000 request supports programs that provide financial advisors to countries seeking assistance in implementing significant economic reforms, focusing on the functional areas of budget, taxation, government debt, financial institutions, and financial enforcement. It is estimated that \$7.37 million of the request will fund resident and short-term advisor projects with countries combating money laundering and terrorist finance activity. A large portion of the funds requested (36%) will be used for assistance programs in sub-Saharan Africa, 12 of which are eligible to receive HIPC debt relief. Over 12% of the requested funds will be used to carry out projects in the Greater Middle East. The funds will also be utilized to begin two new high priority country engagements in Vietnam and India.





Authorization Requests for FY2008

Heavily Indebted Poor Countries (HIPC) Initiative

FY2008, the Administration will request extensions of two existing authorities related to the Heavily Indebted Poor Countries (HIPC) initiative which both expire at the end of FY2007, under the terms of Public Law 110-5: (1) authority to engage in bilateral HIPC debt reduction; and (2) authority to make contributions to the HIPC Trust Fund. HIPC debt reduction authority is contained in Section 501(i) of title V of H.R. 3425 as enacted into law by section 1000(a)(5) of Public Law 106-113, as amended. HIPC Trust Fund authority is contained in Section 801(b)(1)(ii) of Public Law 106-429, as amended.

Tropical Forest Conservation Act

For FY2008, the Administration will request re-authorization of the Tropical Forest Conservation Act. The current authorization, contained in Public Law 108-323, expires after the end of FY2007.





TREASURY INTERNATIONAL PROGRAMS

(Table 5) Summary of Appropriations and Requests
Treasury International Programs

FY2006-FY2008 (Budget Authority; in \$)

	FY 2006		FY 2007		FY 2008		
	Approp.		Total Request	Continuing Resolution-Enacted Rate	Annual Commit.	Arrears Request	Total Request
Multilateral Development Banks (MDBs):							
World Bank Group							
IBRD	0		0	0	0		0
IDA	909,150,000 ¹		950,000,000	940,500,000	950,000,000	110,000,000	1,060,000,000
MIGA	1,287,000		0	0	0	1,082,000	1,082,000
IFC	0		0	0	0		0
Global Environment Facility	79,200,000		80,000,000 ²	79,200,000	80,000,000	26,763,000	106,763,000
Inter-American Development Bank							
IDB	0		0	0	0		0
IDB/FSO	0		0	0	0		0
IIC	1,724,100		0	0	0	7,264,000	7,264,000
MIF	1,724,100		25,000,000	1,724,100	25,000,000	4,232,000	29,232,000
Asian Development Bank							
AsDB	0		0 ²	0	0		0
AsDF	99,000,000		115,250,000	99,000,000	115,250,000	18,656,000	133,906,000
African Development Bank							
AfDB	3,601,620		5,018,416	3,601,620	0	2,036,730	2,036,730
AfDF	134,343,000		135,700,000	134,343,000	135,700,000	4,884,113	140,584,113
European Bank for Reconstruction and Development	1,005,520		0	0	0	10,157	10,157
North American Development Bank	0		0	0	0		0
Int'l Fund for Agricultural Development	14,850,000		18,000,000	14,850,000	18,000,000	72,000	18,072,000
Total MDBs	1,245,885,340		1,328,968,416	1,273,218,720	1,323,950,000	175,000,000	1,498,950,000
Debt Restructuring:							
HIPC TOTAL, of which:	44,550,000			44,550,000			187,300,000
Bilateral Debt Reduction			182,799,000 ³				
HIPC Trust Fund							
Tropical Forest Conservation Act (TFCA)	19,800,000			19,800,000			20,000,000
Total Debt Restructuring	64,350,000		182,799,000	64,350,000			207,300,000
Other Accounts:							
Technical Assistance	19,800,000 ⁴		23,700,000	19,800,000			24,800,000
TOTAL TREASURY INTERNATIONAL ACCOUNTS	1,330,035,340		1,535,467,416	1,357,368,720			1,731,050,000

Note: The Continuing Resolution-rate Estimate is a full-year estimate based on the "Continuing Appropriations Resolution 2007," Division B of P.L. 110-5.

¹ In FY2006, \$940.5 million was appropriated, however, the enacted Continuing Resolution (P.L. 110-5) rescinded \$31.35 million of this amount.

² FY2007 budget requests for GEF and AsDB as amended.

³ The amounts allocated to each category of debt restructuring will be determined according to relative program urgency and need.

⁴ For FY2007, Treasury Technical Assistance received a supplemental of \$13 million for Iraq.





TREASURY INTERNATIONAL PROGRAMS

(Table 6) Summary of Arrears
Treasury International Programs
Multilateral Development Banks
FY2000 - FY2007*
(Budget Authority; in \$)

	Arrears							
	end-FY2000	end-FY2001	end-FY2002	end-FY2003	end-FY2004	end-FY2005	end-FY2006	end-FY2007*
Multilateral Development Banks (MDBs):								
International Bank for Reconstruction and Development								
International Development Association	32,140,000	62,275,000	73,015,000	78,540,000	120,727,880	327,527,880	368,377,880	377,877,880
Multilateral Investment Guarantee Agency	6,000,000	6,022,000	10,892,087	9,271,689	8,154,321	8,154,321	6,867,321	6,867,321
International Finance Corporation								
Global Environment Facility	204,200,000	203,937,600	210,937,600	171,585,848	140,668,364	141,528,364	169,828,364	170,628,364
Inter-American Development Bank								
IDB Fund for Special Operations								
Inter-American Investment Corporation	9,000,000	9,055,000	16,055,000	22,822,619	47,822,619	47,822,619	46,098,519	46,098,519
Multilateral Investment Fund	98,750,000	88,772,000	88,772,000	64,341,172	39,488,672	28,576,672	26,852,572	50,128,472
Asian Development Bank								
Asian Development Fund	100,017,050	128,175,450	133,158,400	138,908,527	98,339,611	102,139,611	118,389,611	134,639,611
African Development Bank	1,000,000	13,420	13,420	42,126	67,315	619,934	2,036,730	3,453,526
African Development Fund		220,000	220,000	10,849,144	16,789,221	29,637,211	30,994,211	32,351,211
European Bank for Reconstruction and Development				232,732	441,776	725,225	10,157	10,157
North American Development Bank								
International Fund for Agricultural Development		11,000	11,000	104,857	189,339	309,339	459,339	3,609,339
TOTAL BUDGET AUTHORITY	451,107,050	498,481,470	533,074,507	496,698,714	472,689,118	687,041,176	769,914,704	825,664,400

* Based on full year appropriations under the Continuing Resolution (P.L. 110-5).



