# TREASURY INTERNATIONAL PROGRAMS

## Justification for Appropriations

# FY 2009 BUDGET REQUEST

U.S. DEPARTMENT OF THE TREASURY

TREASURY INTERNATIONAL PROGRAMS
Justification for Appropriations
FY 2009 Budget Request

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DEPARTMENT OF THE TREASURY
WASHINGTON

I am pleased to present the FY 2009 Justification for Appropriations for the Department of the Treasury's International Programs, which includes funding for multilateral development banks (MDBs), debt restructuring and technical assistance programs. These funds will support economic growth and poverty reduction in the developing world. Greater economic growth increases employment opportunities and creates more local resources to support investments in physical and human capital, helping people to have a brighter future and diminishing the conditions that breed civil unrest and international terrorism.

In addition, the FY 2009 request includes funding for the first payment by the United States to a new multilateral clean technology fund that will address the growing problem of accelerating greenhouse gas emissions in major developing countries. The fund is designed to encourage major emitting developing countries to invest in cleaner technology in order to reduce future greenhouse gas emissions by helping to finance the additional cost of clean investments. The clean technology fund, which will be administered by the World Bank, will leverage the capital of all the multilateral development banks as well as private capital.

Treasury's International Programs promote economic growth by fostering more conducive investment climates and building human capital in developing countries. Specific programs and projects are designed to promote sound macroeconomic policies, economic openness, environmental sustainability, well-functioning financial systems, robust institutions, the rule of law, and market-oriented reforms.

The United States extended its leadership on MDB reform over the last year through agreements to replenish the concessional windows of the World Bank and African Development Bank. These reforms will improve the banks' effectiveness and transparency through improvements in their engagement in fragile states, expanded results measurement systems, regional economic integration initiatives, anti-corruption policies, performance-based allocation systems and climate change initiatives.

Our debt restructuring programs registered notable successes during 2007, including in Liberia where, under U.S. leadership, the international donor community agreed to clear approximately $1.5 billion in arrears owed to the IMF, World Bank and African Development Bank. As a result, the World Bank and African Development Bank are revving up their support for the reconstruction and development needs of the country, and Liberia is now on track for bilateral and commercial debt cancellation under the Enhanced HIPC Initiative.

Treasury's Technical Assistance program continues to register steady progress in reconstruction efforts in fragile states, such as Afghanistan, Bosnia, Iraq, Liberia, and Haiti, as well as in low income countries such as Ethiopia and Ghana, while continuing to help sustain and strengthen assistance to combat money laundering, terrorist financing, and financial corruption.

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.

David H. McCormick
Under Secretary for International Affairs

## (Table 1) Summary of Appropriations and Requests
## Treasury International Programs
FY 2007-FY 2009 ($ in millions )

| | FY 2007 | FY 2008 | | FY 2009 | | |
|---|---|---|---|---|---|---|
| | Approp. | Total Request | Approp. | Annual Commit. | Arrears Request | Total Request |
| **Multilateral Development Banks (MDBs):** | | | | | | |
| World Bank Group | | | | | | |
| IBRD | 0 | 0 | 0 | 0 | | 0 |
| IDA | 940.5 | 1,060.0 | 942.3 | 1,235.0 | 42.0 | 1,277.0 |
| MIGA | 0 | 1.1 | 0 | 0 | 0 | 0 |
| IFC | 0 | 0 | 0 | 0 | | 0 |
| **International Clean Technology Fund** | | | | | | 400.0 |
| **Global Environment Facility** | 79.2 | 106.8 | 81.1 [2] | 80.0 | 0 | 80.0 |
| **Inter-American Development Bank** | | | | | | |
| IDB | 0 | 0 | 0 | 0 | | 0 |
| IDB/FSO | 0 | 0 | 0 | 0 | | 0 |
| IIC | 0 | 7.3 | 0 | 0 | 0 | 0 |
| MIF | 1.7 | 29.2 | 24.8 | 25.0 | 0 | 25.0 |
| **Asian Development Bank** | | | | | | |
| AsDB | 0 | 0 | 0 | 0 | | 0 |
| AsDF | 99.0 | 133.9 | 74.5 | 115.3 | 0 | 115.3 |
| **African Development Bank** | | | | | | |
| AfDB | 3.6 | 2.0 | 2.0 [2] | 0 | 0 | 0 |
| AfDF | 134.3 | 140.6 | 134.6 | 156.1 | 0 | 156.1 |
| **European Bank for Reconstruction and Development** | 0 | 0.0 [3] | 0.0 [2] | 0 | 0 | 0 |
| **North American Development Bank** | 0 | 0 | 0 | 0 | | 0 |
| **Int'l Fund for Agricultural Development** | 14.9 | 18.1 | 17.9 | 18.0 | 0 | 18.0 |
| **Total MDBs** | 1,273.2 | 1,499.0 | 1,277.3 | 1,629.3 | 42.0 | 2,071.3 |
| **Debt Restructuring:** | | | | | | |
| **HIPC TOTAL, of which:** | 44.6 | 187.3 | 10.2 | | | 121.0 |
| Bilateral Debt Reduction | | | | | | |
| HIPC Trust Fund | | | | | | |
| **Tropical Forest Conservation Act (TFCA)** | 19.8 | 20.0 | 19.8 | | | 20.0 |
| **Total Debt Restructuring** | 64.4 | 207.3 | 30.1 | | | 141.0 |
| Other Accounts: | | | | | | |
| **Technical Assistance** | 19.8 [1] | 24.8 | 20.2 | | | 29.0 |
| **TOTAL TREASURY INTERNATIONAL ACCOUNTS** | 1,357.4 | 1,731.1 | 1,327.6 | | | 2,241.3 |

*Totals may not add due to rounding.*

*Note: The FY 07 enacted Continuing Resolution (P.L. 110-5) rescinded $31.35 million of amounts withheld from FY06 appropriations.*

[1] For FY 2007, Treasury Technical Assistance received a supplemental appropriation of $2,750,000.

[2] Includes arrears: $1,100,720 for the GEF; $2,020,500 for the AfDB; and $10,077 for the EBRD.

[3] EBRD arrears request of $10,157.

# (Table 2) Summary of Arrears
## Treasury International Programs
## Multilateral Development Banks
FY 2000-FY 2008

(Budget Authority; $ in millions)

| | ARREARS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | end-FY 2001 | end-FY 2002 | end-FY 2003 | end-FY 2004 | end-FY 2005 | end-FY 2006 | end-FY 2007 | end-FY 2008 |
| Multilateral Development Banks (MDBs): | | | | | | | | |
| International Bank for Reconstruction and Development | | | | | | | | |
| International Development Association | 62.3 | 73.0 | 78.5 | 120.7 | 327.5 | 337.0 | 377.9 | 385.6 |
| Multilateral Investment Guarantee Agency | 6.0 | 10.9 | 9.3 | 8.2 | 8.2 | 6.9 | 6.9 | 6.9 |
| International Finance Corporation | | | | | | | | |
| Global Environment Facility | 203.9 | 210.9 | 171.6 | 140.7 | 141.5 | 169.8 | 170.6 | 169.5 |
| Inter-American Development Bank | | | | | | | | |
| IDB Fund for Special Operations | | | | | | | | |
| Inter-American Investment Corporation | 9.1 | 16.1 | 22.8 | 47.8 | 47.8 | 46.1 | 46.1 | 46.1 |
| Multilateral Investment Fund | 88.8 | 88.8 | 64.3 | 39.5 | 28.6 | 26.9 | 50.1 | 50.3 |
| Asian Development Bank | | | | | | | | |
| Asian Development Fund | 128.2 | 133.2 | 138.9 | 98.3 | 102.1 | 118.4 | 134.6 | 175.3 |
| African Development Bank | 0.0 | 0.0 | 0.0 | 0.1 | 0.6 | 2.0 | 3.5 | 1.4 |
| African Development Fund | 0.2 | 0.2 | 10.8 | 16.8 | 29.6 | 31.0 | 32.4 | 33.5 |
| European Bank for Reconstruction and Development | | | 0.2 | 0.4 | 0.7 | 0.0 + | 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 | 3.7 |
| **TOTAL BUDGET AUTHORITY** | **498.5** | **533.1** | **496.7** | **472.7** | **687.0** | **738.6** | **825.7** | **872.3** |

*Totals may not add due to rounding.*

+ Less than $11,000

# U.S. Support for the Multilateral Development Banks

| FY 2008 Enacted | FY 2009 Treasury Request |
|---|---|
| $1,277,288,635 | $2,071,305,000 |

*"We help the least fortunate across the world because our conscience demands it. We also recognize that helping struggling nations succeed is in our interest. When America helps lift societies out of poverty we create new markets for goods and services, and new jobs for American workers. Prosperity abroad can be translated to jobs here at home. It's in our interest that we help improve the economies of nations around the world.*

*When America helps reduce chaos and suffering, we make this country safer, because prosperous nations are less likely to feed resentment and breed violence and export terror. Helping poor nations find the path to success benefits this economy and our security, and it makes us a better country."*

**President George W. Bush, May 31, 2007**

## Overview

Multilateral Development Banks (MDBs) play a central role in promoting growth and poverty reduction in developing countries and are often the most effective means for deploying development resources. In 2007, they approved nearly $70 billion in loans, grants, equity investments and guarantees to support public and private projects, programs and policy reforms. MDBs also coordinate development programs with developing country governments as well as other donors, and provide professional advice and technical support designed to address impediments to economic growth. The work of the MDBs includes activities such as supporting the development of physical infrastructure with environmental and social safeguards, improving the functioning of governmental institutions, investing in programs to increase human capital including health and education systems, and promoting polices that improve the climate for private investment. The MDBs are also playing an increasingly important role in addressing transnational challenges, such as avian influenza and climate change, which threaten development and economic growth, but cannot be addressed within the borders of any single country or region.

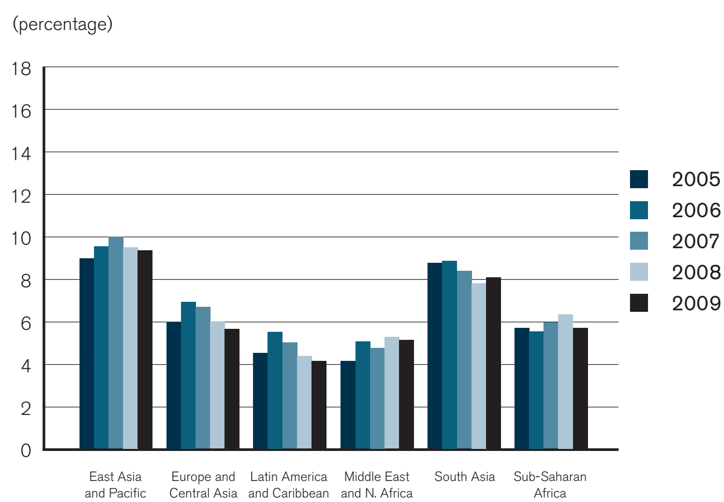
The United States has a critical interest in ensuring that these institutions operate effectively and efficiently and have the necessary resources to fulfill their core missions. With strong U.S. advocacy, the MDBs are systematically improving the way they measure the results of their programs to ensure accountability and they are expanding the transparency of their operations. The MDBs are also increasingly engaged in programs of vital interest to the United States, including support for fragile and post-conflict states and programs designed to fight corruption and improve good governance.

U.S. contributions to the MDBs not only support ongoing programs but enable the United States to continue to be the principal agent of reform within the MDBs. Although the U.S. share of MDB replenishments has generally declined over recent years, the United States remains the single largest cumulative contributor overall to most of the MDBs and, hence, exercises considerable influence over their policies and programs. The United States will continue to encourage the MDBs to adjust to the changing global environment by exploiting their unique advantages to address the challenges faced by developing countries while ensuring that they provide maximum value for U.S. taxpayer resources.

## Developing Country Environment

Developing countries have made substantial gains in recent years in growth and poverty reduction. Real Gross Domestic Product (GDP) grew, on average, an estimated 7.4% in 2007, representing the fourth consecutive year of growth in excess of 6%. Buoyant external demand, low real interest rates, and increased access to private capital markets were major factors for strong growth performance. Better macroeconomic policies within developing countries complemented the favorable external environment by lowering inflation rates and producing more conducive investment environments. Debt relief for the poorest, most heavily indebted countries – with President Bush's strong leadership – has freed up substantial budgetary resources for spending on infrastructure and social programs. Stronger growth in sub-Saharan Africa over the past five years is starting to produce a substantial turnaround from the region's protracted stagnation.

**Figure 1: Developing County Real GDP Growth Rates**




Source: World Bank

Despite impressive advances in developing countries, the MDBs have a large unfinished agenda. Growth remains uneven across developing countries due to differences in country policies, resource endowments and the development challenges faced by fragile states. The World Bank estimates that nearly one billion people continue to live in abject poverty on less than $1 dollar per day, with over 25% located in fragile states. One-third of children in developing countries remain underweight or experienced stunted growth, and half of the people in the developing world lack access to basic sanitation. Every year, malaria strikes some 500 million people worldwide. Only 8% of the rural population in sub-Saharan Africa has access to electricity.

The development challenges facing many countries often have immediate and long-term economic and security implications for the United States. For example:

- Close to home, half of all children under the age of five in Guatemala are chronically malnourished while in El Salvador, Honduras and Nicaragua, one out of every three children under five is affected.

- An estimated 11 million Afghans are illiterate and nearly half the school age population remains out of school with significant gender and provincial disparities.

- In Pakistan, inadequate access to basic services, disempowered communities, including the exclusion of women from the public sphere and the development process, and a spate of natural calamities in recent years have contributed to the persistence of poverty.

## FY 2009 Funding Request

The FY 2009 request for the MDBs of $2.071 billion is comprised of $1.629 billion for scheduled annual commitments to the MDBs and $42.0 million to pay a portion of outstanding U.S. arrears to the International Development Association (IDA). The budget also includes a request of $400.0 million for a new international clean technology fund to be housed at the World Bank.

Through U.S. leadership in the MDBs, key policy reforms have been achieved during the Bush Administration:

- Increased grant financing for the world's poorest countries;

- Debt relief through the landmark Multilateral Debt Relief Initiative (MDRI) and adoption of debt sustainability frameworks to help break the lend-and-forgive cycle of development assistance;

- Development of robust results-based management systems to incorporate measurable performance goals and demonstrate positive results on the ground;

- Improvement of performance-based allocation systems to provide the most resources to the best performers where they will have maximum impact;

- Increased efforts to improve transparency and combat corruption at institutional, project, country and regional levels; and

- More effective engagement in fragile states, including Afghanistan and Liberia.

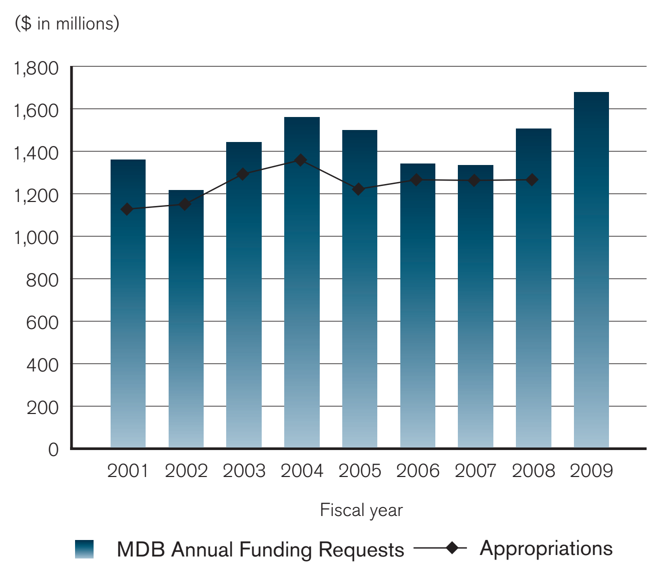
This year's request includes U.S. contributions to two new replenishments of the concessional programs of the World Bank and the African Development Bank – for the International Development Association (IDA) and the African Development Fund (AfDF), respectively – and to a new international clean technology fund.

***IDA15:*** The request includes $1.235 billion for the first installment of the U.S. three-year pledge of $3.7 billion to IDA's fifteenth replenishment. The request represents a 30% increase over U.S. contributions to the previous replenishment, and a strong demonstration of U.S. support for helping the poorest countries achieve the economic growth necessary for reducing poverty. Half of the $41.6 billion in overall IDA15 resources, which represent a 30% increase over the last replenishment, are expected to be allocated to Africa. The request also includes $42.0 million to cover a portion of outstanding U.S. arrears to IDA, which will total $385.6 million at the end of FY 2008. The United States accomplished its major policy objectives in the IDA15 negotiations, including: more effective engagement in fragile states such as Afghanistan and Liberia; improving results measurement of projects and using this information as a management tool; and strengthening debt sustainability in countries receiving debt relief. The IDA15 request also includes funding necessary to meet U.S. commitments to fund its share of MDRI costs.

***AfDF11:*** The request includes $156.1 million for the first installment of the U.S. three-year pledge of $468.2 million to AfDF's eleventh replenishment, a 15% increase over the U.S. commitment to the previous replenishment. Donors agreed to a total replenishment of $8.9 billion over 2008-2010, a 52% increase over AfDF10. U.S. leadership secured key objectives in the replenishment agreement and, as a result, the AfDF is well positioned to demonstrate and deliver positive results on the ground, with more effective engagement and support for fragile states and regional projects (including critical infrastructure), while maintaining the centrality of country performance in the allocation of concessional loan and grant resources. As with IDA, the request includes funding necessary for U.S. commitments to MDRI costs.

***International Clean Technology Fund:*** $400 million is requested for a new multilateral fund that will address the growing problem of accelerating greenhouse gas emissions in major developing countries. This amount is the first year of funding out of a total pledge of $2 billion over three years. The United States is a lead donor to the fund, which will help ensure that developing countries deploy cleaner, more advanced technologies by helping to finance the additional cost of clean investments. The fund has three major objectives: first, to reduce emissions growth in major developing countries through faster deployment of clean technologies; second, to stimulate and leverage private sector investment in existing clean technologies; and third, to encourage developing countries to pursue environmentally sound policies to reduce greenhouse gas emissions.

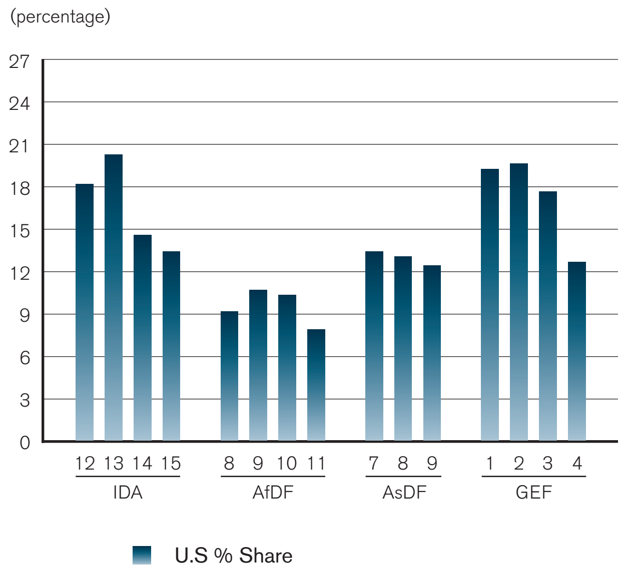
**Figure 2: MDB Annual Funding Requests and Apppropriations**



**Box 1:** U.S. Participation in the MDBs

U.S. contributions to the multilateral development banks (MDBs) are based upon internationally agreed commitments to replenish the concessional resources or increase the capital stock of the institutions. The concessional windows of the MDBs – IDA, AfDF, AsDF and FSO – along with the GEF, MIF and IFAD – are replenished by donor countries periodically, usually 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. U.S. arrears to the MDBs have grown substantially, rising to $872.3 million at the end of FY 2008.

**Figure 3: Declining U.S. Share in Replenishments**




# Promoting Growth: Supporting the Private Sector and Trade

The private sector is the main engine of development and poverty reduction. Private investments in physical capital and new technologies are at the heart of economic growth, and the tax revenues generated in the formal sector contribute to the financing of social services. Private sector development is critically important for the long-term economic recovery of economies affected by conflict. However, inadequate labor skills, poor roads and ports, poorly performing customs and other border agencies, weaknesses in regulatory capacity, and limited access to financial resources make it harder for private firms to grow locally and to compete effectively in world markets.

The MDBs are increasingly focusing both their public and private sector windows toward addressing the obstacles to private sector development. The public sector windows support programs aimed at improving the private sector environment through physical infrastructure, investments in human capital, and policy reforms including improving the legal and regulatory environment. The private windows seek to provide or facilitate access to financing and disseminate the technical expertise to facilitate productive business activities.

***Doing Business Initiative:*** To highlight the importance of the investment climate and to promote reform, the World Bank initiated the "Doing Business" report (http://www.doingbusiness.org), which has developed quantitative indicators on business regulations and their enforcement across 178 developed and developing countries that can be tracked and compared over time. Regulations affecting ten stages of business' life are measured: starting with the number of days it takes to start a business, dealing with licenses, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business.

**Box 2:** Doing Business Report: Extending Coverage to Sub-National Governments

The World Bank Group is extending its Doing Business coverage to the sub-national level. The intent of the reporting is to capture regional differences in regulations and their enforcement; foster competition among local jurisdictions to improve business regulation and increase pressure to reform; and to provide data on good practices within a country or region that can be easily replicated. The report is expected to enable cities within countries to compare themselves with each other and with 178 economies and will serve as useful tool for specific locations to compete globally.

***Investing in Human Capital:*** An educated and healthy population substantially increases the productivity of the workforce. Poorly functioning education and health systems undermine the investment climate and represent major barriers to reducing poverty in developing countries. For example, malnutrition and specific micronutrient deficiencies contribute to infant, child and maternal morbidity, decreased learning capacity, lower productivity and higher mortality.

The MDBs are major investors in health and education programs, both in terms of improving systems and accountability and investing in physical infrastructure. For example, in the last five years, the World Bank has committed $1.9 billion through grants and loans to fight HIV/AIDS. IDA is the largest source of education assistance for low-income countries, with over $8 billion in support channeled to 71 countries over the past decade. Examples include programs to increase enrollment, such as in Bangladesh, where the number of girls in secondary schools has more than tripled in 15 years due to tuition stipends supported by IDA. The World Bank has also been working to improve water resources management and water supply and sanitation across the world. For IDA countries in sub-Saharan Africa, the share of the population with access to improved water has increased from 45% in 1990 to 53% in 2004. For all IDA countries, it improved from 65% to 75%. Other MDB health and education projects include:

- In Bolivia, the IDB is helping improve the nutrition of children under the age of two and pregnant women. The project includes assessing the effectiveness of current nutritional programs, increasing the capacity of health personnel and improving the coordination among public and private aid agencies.

- In Laos, the Asian Development Fund is supporting a basic education sector project to improve access and quality of schools for the poor. The program is expected to improve and expand physical facilities, upgrade teacher competencies, improve the curriculum and strengthen institutional capacity for planning and management.

***Access to Credit and Technical Assistance:*** One of the principal activities of the private sector arms of the MDBs is to provide or facilitate financing for firms that do not have access to alternative financing sources. In recent years, MDBs have substantially boosted their programs in this area. For example, in 2007, the AfDB far exceeded its target of $750 million for private sector financing, reaching over $1.1 billion by the end of the year. The IDB Group lending to the private sector more than doubled from 2006 levels to $2.9 billion in 2007. The AsDB committed more than $1.7 billion to the private sector in 2007 in the form of loans, guarantees and equity investments.

With respect to micro, small and medium enterprises (MSMEs), since its inception, the Multilateral Investment Fund (MIF) has played a leading role in promoting sustainable microfinance throughout Latin America and the Caribbean, including roughly $250 million in financial support to the sector. In 2007, the MIF set itself the goal of tripling the volume of available microfinance by 2012. In FY 2007, the IFC started a new Africa Micro, Small and Medium Enterprise (MSME) Finance Program combining advisory services and financial products to provide loans, trade financing, mortgage financing, and other products for small entrepreneurs who generally have little or no access to finance. Based on lessons from previous efforts, the program is designed to grow flexibly and adapt to market demand. It provides banks incentives to lend to small businesses, with variable interest rates depending on whether they meet agreed lending targets. The IFC expects this new program to facilitate an additional 10,000 loans to MSMEs for a total of $200 million over the next five years. MIGA has supported technical assistance and investment promotion activities in a number of markets, including Bangladesh, Sierra Leone, Tajikistan, Mali, Mozambique, and Nicaragua. The AfDB agreed to host the Investment Climate Facility, a platform for coordinated efforts among donors to support reforms in African countries meant to improve the environment for business and investment.

***Improving Infrastructure:*** Investing in infrastructure is essential to private-sector investment, jobs and growth. Although MDBs scaled back investments in this area during much of the 1990s in the expectation that the private sector would fund a major portion of infrastructure projects, the MDBs began to scale back up in recent years when this proved not to be the case. The MDBs have also combined policy dialogue and institutional capacity building aimed at increasing productivity and leveraging private sector investment while ensuring that policies and institutional arrangements are in place that foster financial, environmental, and social sustainability. Over the past decade, the MDBs have improved their integration of critical environmental and social safeguards into the design and implementation of infrastructure projects to ensure environmental and social sustainability. Support for infrastructure has also been accompanied by tighter fiduciary controls to deter corrupt practices and misuse of funds. The United States has consistently encouraged MDB managements to ensure that infrastructure projects include adequate safeguards and enhanced productivity, and that the projects are focused on improving service delivery to the poor.

Examples of recent MDB activity include:

- IDA has invested $162 million in the road sector in Afghanistan since 2003, helping to reconnect Kabul with the Tajikistan border, which has reduced travel time between the capital and the border from 48 hours to about 6 hours.

- The AfDF funded eight energy sector operations over the past three years, installing a total of 73 megawatts of generating capacity and constructing or rehabilitating over 6,650 kilometers of transmission and distribution networks in some of the world's poorest countries.

- More than half of the of the IDB's 2007 lending was for projects aimed to fill critical infrastructure gaps and foster regional integration across a number of key sectors, including energy, transportation and capital markets.

***Promoting Trade and Regional Integration:*** Helping developing countries take advantage of the opportunities and benefits from trade is a key priority of the MDBs. Through its Global Trade Finance Facility, the IFC has developed a $1 billion program to support imports and exports in emerging markets. Under this program, the IFC issues partial or full guarantees for trade transactions. The program has greatly benefited banks in underfinanced markets, particularly in Africa, which accounted for 49% of the total volume of guarantees issued in FY 2007. SMEs have accounted for 71% of the total volume of trade finance provided by the local banks through this program. In Africa, 78% of these transactions were for small businesses.

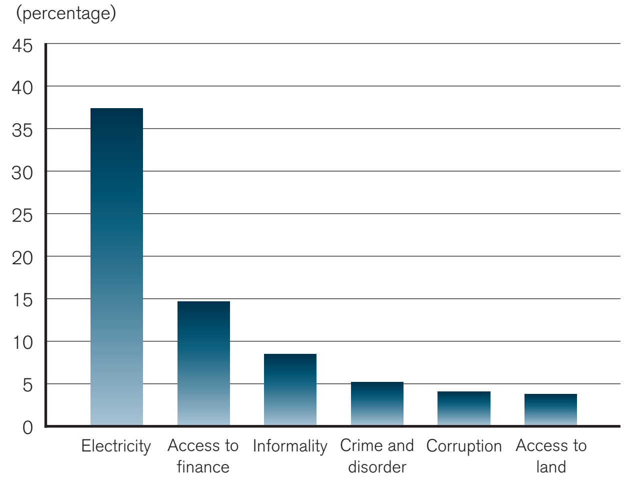
MDBs are also supporting regional economic cooperation and integration among developing countries, such as standardization of business regulation, which facilitates market integration. Programs include supporting business registration, ownership regulations, technical and phytosanitary standards, intellectual property rights, trade and customs administration, and financial and labor regulations governing cross-border transactions. IDA15 donors recently agreed to a significant increase for regional projects in IDA as one of the key components of the IDA15 replenishment. Under AfDF11, more resources will be available for projects that will enhance regional integration, with an operational focus on critical cross-border infrastructure.

## Debt Sustainability

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. This initiative, the Multilateral Debt Relief Initiative (MDRI), 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 under the Heavily Indebted Poor Countries (HIPC) initiative. Forty-two countries are projected to receive up to $60 billion in debt relief as a result of this initiative.

Following this landmark agreement, the World Bank and IMF jointly developed a Debt Sustainability Framework, which guides borrowing and lending decisions for low-income countries on terms that allow countries to devote resources for growth and development and to achieve the internationally agreed Millennium Development Goals (MDGs) while staying within their means to repay loans. By assessing each country's specific circumstances, the framework tries to help borrowing countries balance their need for funds with their current and prospective ability to repay their debts. Linking a country's borrowing potential to its current and prospective ability to service debt should help countries avoid accumulating excessive debts.

**Figure 4: Obstacles to Enterprise in Africa: Firms Ranking Each Factor as the Main Obstacle to Firm Growth and Performance in 2006**




Source: World Bank Enterprise Surveys

**Box 3:** IDB/FSO Debt Reduction Package

Following steps by the G-8, the IMF and World Bank to cancel debts for some of the world's poorest countries in recent years, in March 2007, the IDB endorsed – with strong leadership from the United States and Brazil – an initiative that provides 100% debt relief on all loans outstanding as of December 31, 2004 to the bank's five poorest borrowing countries: Bolivia, Guyana, Haiti, Honduras and Nicaragua. Outstanding loan balances of $3.4 billion will be cancelled freeing up resources for high priority programs, such as health care, education and infrastructure development in the region.

With continued U.S. leadership, the IMF-World Bank Debt Sustainability Framework serves as the sole basis for determining grant eligibility in all the MDBs. Under the framework, poor countries with improved balance sheets receive proportionately more in loan assistance while those with persistent risk of debt distress and difficult fiscal circumstances receive relatively higher amounts of grants, in many cases only grants. In 2007, IDA approved $1.5 billion in grants, the AsDF approved grants totaling $519.3 million, the AfDF approved grants totaling $465 million and the IDB's Fund for Special Operation (FSO) approved $50 million in grants. The level of grants approved by IDA and the AfDB declined slightly from earlier years, reflecting the improved creditworthiness of several countries due to increased debt relief, especially MDRI, and better debt management policies.

**Figure 5: Total IDA, AfDF and AsDF Grants**

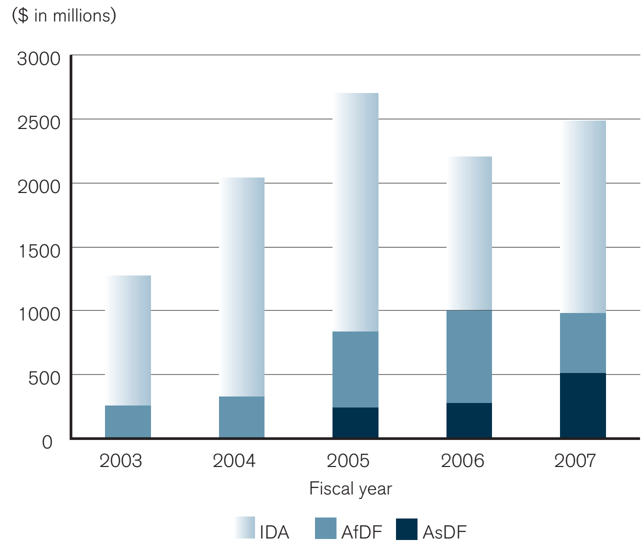
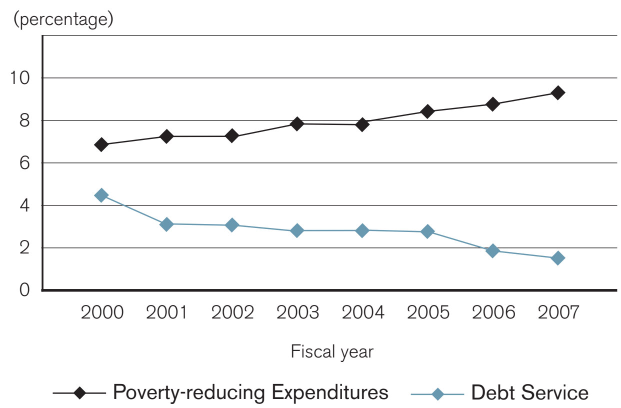



**Figure 6: Poverty-Reducing Expenditures and External Debt Service for Post-Decision Point Countries (Weighted Average, % of GDP)**




Source: IMF/World Bank, HIPC and MDRI – Status of Implementation, September 6, 2007. Data for 2007 are projections.

## Promoting Good Governance, Transparency and Fighting Corruption

Corruption and weak governance take a disproportionate toll on the poor, by undermining the delivery of public services, such as health care, education, and infrastructure. The World Bank estimates that every $100 million of stolen assets could have been used to fund full immunization for 4 million children, or approximately 250 thousand water connections for households, or 50-100 million Artemisinin based treatments for malaria. Corruption also creates macroeconomic uncertainty, taints the financial sector, and worsens the investment climate.

With strong encouragement from the United States in recent years, MDBs have placed a much greater emphasis on good governance and anticorruption. Although the specific nature of governance issues may vary from country to country, MDBs have been focusing on strengthening public financial management of revenue collection and expenditures, procurement, auditing, the judiciary, and legal reforms, as well as on renewed engagement with governments on civil service and transparency reforms. MDBs are also focusing greater systematic attention on addressing governance issues in infrastructure, extractive industries, health, education, financial and private sector activities, strengthening local governments and increasing community participation.

Examples of MDB programs that combat corruption include:

- IDA pioneered the Public Expenditure Tracking Surveys (PETS) in Uganda. As a result of this program, 80% of funding reached schools in 2000 as opposed to only 13% between 1991 and 1996.

- The AfDB Group initiated a strategy last fall to support African countries' compliance with the Extractive Industries Transparency Initiative (EITI), including providing grants for capacity building to several fragile but resource-rich states to support their implementation of EITI commitments.

- The AsDB 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 Auditor General's Office investigates allegations of fraud and corruption. As of end-2007, 398 firms and individuals have been disbarred and are ineligible to participate in AsDB-financed activities. The AsDB publishes annual reports of the Integrity Division on the Internet.

A key cross-cutting priority has been MDB efforts to help governments become more transparent, including facilitating greater participation and oversight by civic organizations and the media. The World Bank Group has promoted public participation in government policies and public spending priorities through the poverty reduction strategy process, community-driven development, civil society and media oversight over public procurement, and monitoring of income and asset declarations.

***Good Governance within the MDBs:*** MDB efforts to promote good governance, transparency and anti-corruption systems require that the MDB's hold themselves to the same standards. At the urging of the United States, the MDBs have made significant progress in setting up the institutional reforms to meet these ends. Progress made in 2007 includes:

- The AfDB Board approved a Whistleblower Protection Policy in early 2007.

- The World Bank Group will implement the recommendations of the Volcker Report to strengthen its Department of Institutional Integrity (INT), which investigates fraud and corruption. The Bank is also seeking feedback on its proposed new whistleblower policy aimed at providing a safe environment to staff for reporting and addressing allegations of misconduct.

**Box 4:** Volcker Report and Whistleblower Protection

**Volker Report:** The World Bank Group will implement the recommendations of the Volcker Report to strengthen its Department of Institutional Integrity (INT), which investigates fraud and corruption. The recommendations include creation of an independent advisory board composed of international anticorruption experts to protect the independence and strengthen the accountability of INT. They also call for establishing a preventive services consulting unit to help Bank staff guard against fraud and corruption in Bank projects.

The recommendations were made by an internal Bank Working Group that reviewed a report on INT by a panel led by former U.S. Federal Reserve Chairman Paul Volcker. The initiatives will enhance transparency and prevention, clarify responsibilities, and strengthen follow-up actions when fraud and corruption are discovered. They will integrate the investigative work of INT more closely into Bank operations and provide for ongoing monitoring and evaluation.

**Whistleblower Protection:** Management's proposed whistleblower policy aims to strengthen protections for staff who report suspected misconduct that may threaten the operations or governance of the Bank Group. Subject to approval by the Bank's Board of Executive Directors, the current policy would be amended to establish whistleblower protections among the core duties and obligations of the Bank Group, including: prohibiting retaliation against any person for reporting misconduct or cooperating with an investigation; providing interim protections to the whistleblower, with the consent of the staff members; shifting the burden of proof to management where a whistleblower has made a prima facie case of retaliation for whistleblowing.

## Accountability and Development Results

The environment in which the MDBs operate today is different from that of just a few years ago. Globalization, a growing differentiation among developing countries, the availability of alternative financial resources, and the multiplication of actors on the development landscape require that the MDBs ensure that their resources are focused on producing the maximum development impact. The United States in recent years has consistently urged the MDBs to strengthen development effectiveness and their accountability for results. This includes improving mechanisms to measure the development impact of projects and programs and rewarding good performers.

***Results:*** IDA was the first international financial institution to introduce a results-measurement system (RMS) to monitor development progress. The RMS tracks individual country outcomes through 14 indicators (such as primary school completion rates and HIV prevalence rates). It then tracks IDA's contribution to country outcomes through output indicators (such as number of teachers trained or facilities built) and indicators that track the number of projects that achieve their development objectives. During 2007 IDA, as well as the other MDBs, continued to make further progress to improve results measurements:

- Over the duration of IDA15, IDA will work to improve the quality of data for outcome and output indicators by building country statistical capacity and developing a standardized list of indicators across four to five sectors to produce more accurate measurement of sector-specific outputs.

- IFAD Executive Board approved a Results Measurement Framework that will enable the Board to monitor progress in achieving the objectives specified in IFAD's Strategic Framework.

- The EBRD monitors each project's transition impact by examining conditions prior to financing, during project implementation and after project conclusion.

- The AfDB has supported a region-wide statistical capacity building program since 2002, which provides financial support and technical assistance for collecting and analyzing socio-economic statistics needed to assess progress toward country-specific development priorities.

- As a result of U.S. encouragement, the AfDF has developed a results framework that will guide operations during the 2008-2010 period. The framework sets out concrete targets for achieving development outcomes at the country, regional and institutional levels.

***Disclosure of MDB Activities:*** One of the core elements in the U.S. strategy to increase MDB accountability is to improve disclosure of MDB operations and activities. The United States has made steady progress in this area.

- In response to U.S. urging, the AfDB publicly releases the summaries of Board of Executive Directors' discussions on its website. As part of the recent AfDF replenishment, AfDB management has committed to post on the web project implementation progress reports.

- IFAD has agreed to disclose Board documents to the public at the same time that they are distributed to the Board.

- All GEF policy, project, and budget documents are posted on the Internet at the same time as they are circulated to Council Members, and meetings of the GEF Council are open to non-governmental organizations.

- The Integrity Division of the AsDB Auditor General's Office investigates allegations of fraud and corruption and publishes annual reports on the internet. 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.

***Rewarding Good Performance:*** Countries that have established a track record of good governance and economic reform make better use of scarce MDB resources. Consistent pressure by the United States has caused all the MDBs to put in place performance-based allocations systems (PBAs) for their concessional loan windows. Under these PBA systems more funds are allocated to countries which rank higher on policies and institutional assessments. For example:

- IDA channels a larger share of assistance to countries that are well governed and enact pro-growth policies through its PBA system. For FY 2006-2008 the top 10% of country performers received nearly 7 times as much assistance on a per capita basis as the lowest 10%.

- For the AfDF, the ratio of per capita allocations to the top quintile of country performers compared to the bottom quintile has increased under the most recent replenishment period of AfDF10, to 5.6. By contrast, the ratio was 4.7 for the AfDF8 replenishment period.

- Under AsDF9, the PBA system was strengthened by increasing the governance weight in measuring country performance.

- IFAD strengthened its PBA by eliminating fixed allocations to regions freeing more resources for better performers.

## MDBs and Climate Change

While the negative impact of climate change can affect people and the natural environment everywhere, many people in developing countries are particularly vulnerable. The poor are particularly exposed to the increased impacts of volatility in weather patterns, such as floods and droughts, and are less able to adapt to changing circumstances. Climate change can negatively affect agricultural productivity throughout tropical and sub-tropical areas, where agriculture accounts for the major part of GDP. Climate change can also decrease water supplies and harm ecological systems and biodiversity.

The MDBs are increasingly engaged in efforts to enhance energy security, promote more sustainable land use and agricultural practices, increase resilience to natural disasters, and facilitate the availability and use of cleaner, more efficient technologies. During 2007, the World Bank Group committed $1.434 billion to renewable energy and energy efficient projects. The Bank Group is also helping countries adapt to changes in the climate by analyzing the nature and degrees of risks, building capacity to manage risks, and investing in adaptive measures to minimize and mitigate risks.

Examples of MDB projects designed to address climate change include:

- IDA's Rural Electrification and Renewable Energy Development Project in Bangladesh helped install more than 150,000 solar home systems.

- Between fiscal years 2001 and 2006, the World Bank committed $1.4 billion for projects in natural resources management, with $701 million specifically aimed at sustainable land management.

- The Global Environment Facility (GEF) through its Strategic Investment Program has invested over $200 million for sustainable land management projects across Sub-Saharan Africa, with every GEF dollar bringing an additional $4 in co-financing.

- The AfDF's Niger Natural Forests Management Project is designed to sustain natural forest management and reforestation. Through this project, more than 36,000 hectares of land were reforested and 373,000 hectares of natural forests were brought under sustainable use and management techniques. In addition, more than 101 rural markets and 120 nurseries were established to improve incomes. As a result, forest land productivity has increased significantly while transitioning to sustainable management.

**Box 5:** International Clean Technology Fund

Energy security and climate change are important priorities for the Administration. Actions to lower greenhouse gas emissions can both protect the global environment and enable developing countries to grow their economies for the benefit of their people. A key challenge is to channel existing financial flows into more climate friendly investments, and to create new investments in low carbon and energy efficient technologies.

In September 2007, President Bush proposed a major multilateral initiative to create a new international clean technology fund to help developing countries harness the power of cleaner, more advanced technologies and address the growing problem of accelerating greenhouse gas emissions in major developing countries. The Administration will request authorizing legislation as well as $400 million in appropriations for FY 2009 as part of a three year $2 billion commitment.

The fund has three objectives: to reduce emissions growth in major developing countries through accelerated deployment of clean technologies; to stimulate and leverage private sector investment in existing clean technologies; and to encourage developing countries to pursue environmentally sound policies to reduce greenhouse gas emissions. To accomplish this, the fund would invite developing countries that have high expected emissions growth to submit a request to use fund resources in conjunction with other multilateral, public and private capital to finance energy, transport or other emissions intensive projects with emissions reduction potential. The fund would use a mix of concessional finance, grants and credit guarantees to finance the additional cost of deploying clean technologies in sectors such as energy, transportation and other greenhouse gas intensive sectors.

The fund will be designed to leverage new private and official capital into the clean technology sector. It will deploy its resources in conjunction with the multilateral development banks, private and public investors.

## Supporting U.S. Foreign Policy Objectives

The MDBs, with their experienced staff, long-term relations with developing countries, and local presence are well-positioned to respond quickly to concerns of vital interest to the United States, such as helping coordinate reconstruction after natural disasters or civil conflicts. In recent years, the MDBs have also become increasingly involved in working with fragile states where the interdependence between political, security, and development objectives require coherent policies that deal with multidimensional challenges. The increased focus on fragile states has led to large increases in assistance to countries such as Afghanistan and a successful effort to clear Liberia's arrears and pave the way for much-needed assistance from the international financial institutions.

The World Bank is fostering stronger partnerships with UN agencies and other donors to address the need for integrated approaches to peace- and state-building. The Bank also has been working closely with other MDBs and bilateral governments to improve field coordination and harmonize approaches so that fragile governments are not unduly strained by multiple institutional requirements.

As a result of the reforms achieved in the IDA15 Replenishment, the World Bank has significantly enhanced its capacity to provide financial and analytical support, including grant financing and exceptional access to IDA resources. This can help cash-strapped post-conflict countries create a "peace dividend" by quickly restoring essential service delivery and jump starting infrastructure reconstruction. IDA has also worked to attract qualified staff and enhance its on-the-ground presence in fragile states.

**Box 6:** Liberia

Over the past two years Liberia has made a dramatic turnaround in economic governance under the leadership of President Ellen Johnson Sirleaf. With strong U.S. leadership and support, international consensus was reached among more than 90 countries on financing packages to clear Liberia's arrears to the IFIs. As a result, Liberia cleared its arrears to the World Bank ($388 million) and AfDB ($245 million) in December 2007 and cleared its arrears to the IMF in March 2008.

Once IMF arrears are cleared, Liberia will enter the Highly Indebted Poor Countries (HIPC) debt relief process receiving interim debt relief from the IMF, the MDBs and the Paris Club (bilateral creditors). Reaching Decision Point[1] will set Liberia on the path to eventual cancellation of most of the country's approximately $1.5 billion in multilateral debt, as well as much of its bilateral and commercial debt under the HIPC process.

With arrears cleared, the World Bank and the AfDB are revving up their support for the reconstruction and development needs of Liberia. The World Bank and the AfDB are engaged in financial/economic management and poverty reduction, technical assistance to support improved forestry management, community empowerment and development, and rehabilitation of infrastructure – transport, water and sanitation, electricity and telecommunications. The World Bank is also providing technical assistance to the Government of Liberia in donor coordination.

In February 2007, the World Bank Board approved a new Framework for Rapid Response to strengthen the Bank's response to crises by enabling the disbursement of funds within as little as three months. To date, projects worth $373 million have been approved under this policy for Côte d'Ivoire, the Central African Republic, Liberia, Lebanon and Timor Leste. The IFC is also active in fragile states with 195 active advisory service projects in countries such as Liberia, Sierra Leone, and Lebanon. The AfDF11 has established a special facility for additional funding for fragile states such as Liberia with demonstrated stability and political will for reform.

1 "Decision Point" is the beginning of the HIPC process, and is the point at which a country begins to benefit from relief on debt payments coming due. Normally within 2-3 years, a country will typically reach its HIPC "Completion Point" when it meets a pre-determined set of conditions, which enables it to receive an irrevocable stock of debt reduction.

**Box 7:** MDB Support for Afghanistan

Since April 2002, the World Bank has committed $1.56 billion for 36 reconstruction projects and three budget support operations in Afghanistan. IDA's emergency education project rehabilitated schools, decentralized school management and helped increase enrollment across grades. Over the four years of the IDA project (2002- 2006), enrollment of children in grades 1-12 increased from 3.1 million to just over 5 million (of which 1.75 million are girls), while tertiary enrollments increased from about 30,000 to almost 39,000 (including 8,000 women).

Afghanistan is the largest recipient of AsDF grants, receiving roughly $200 million in 2007 ($600 million is expected during AsDF-9). AsDF-financed projects in Afghanistan focus on rehabilitation and reconstruction of infrastructure, such as road networks and energy distribution, and capacity development and technical assistance for the government.

With strong encouragement by the United States the MDBs continue to support Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) related activities by incorporating these measures into financial sector and governance programs, and technical assistance. For the World Bank, financing for AML/CFT-related reforms and developments were incorporated in programs for Cambodia, Indonesia, and Vietnam, during 2007 totaling $385 million. The AfDB Group adopted a strategy for the Prevention of Money Laundering and Terrorism Financing in 2007. This strategy will serve as an impetus for the Bank Group's engagement in key selected areas, including facilitating the implementation of anti-money laundering standards, codes and procedures, and helping governments develop and implement laws and regulations to combat money laundering and terrorism financing.

In 2007, the World Bank and UN Office on Drugs and Crime launched the StAR (Stolen Asset Recovery) Initiative to help build the capacity of developing countries in repatriating stolen funds, a process known for its complex legal procedures. The main goal of StAR is to help developing countries recover assets stolen by corrupt government officials and hidden in foreign jurisdictions.

An estimated $20-40 billion each year leaves developing countries as illicit flows, of which a significant portion represents stolen funds. StAR will seek to assist countries in four possible ways:

- Providing targeted technical assistance to countries seeking the recovery of stolen assets;
- Working with major financial centers in lowering the existing barriers to asset recovery;
- Generating knowledge management tools that would help raise awareness, inform policy makers, and promote best practices; and
- Monitoring, on a voluntary basis, the use of assets once repatriated.

# Support for Debt Restructuring Programs

| FY 2008 Enacted | FY 2009 Request |
|---|---|
| $30,054,570 | $141,000,000 |

For FY 2009, the Administration has requested $141.0 million for the cost of debt restructuring programs, including $121 million for bilateral Heavily Indebted Poor Countries (HIPC), poorest country debt reduction, and HIPC Trust Fund programs and $20 million for the Tropical Forest Conservation Act (TFCA). Under the enhanced HIPC initiative, funding is needed to complete United States bilateral debt reduction for the Democratic Republic of the Congo (DRC) when the DRC reaches its HIPC Completion Point. Funding is also needed to satisfy the approximately $75 million in U.S. pledges to the HIPC Trust Fund that have not yet been fulfilled.

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 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.

## Recent Accomplishments in Support of U.S. Objectives:

- With U.S. leadership, the international donor community agreed to clear Liberia's approximately $1.5 billion in arrears owed to the World Bank, IMF, and African Development Bank. Clearing the arrears allows Liberia to become eligible for HIPC Decision Point in 2008, the first step in debt forgiveness under the Enhanced HIPC Initiative.

- Afghanistan became the 31st country to reach HIPC Decision Point in July 2007, providing interim debt relief and paving the way for 100% debt forgiveness from its major creditors when it reaches Completion Point.

- Under the enhanced HIPC initiative, 32 countries had demonstrated sufficient progress on economic reform and commitment to poverty reduction to reach their Decision Points as of the end of FY 2007. They are benefiting from debt relief that will lower their stock of debt by approximately two-thirds, reduce debt service ratios by approximately half, and allow for increased poverty reduction expenditures in areas such as basic health, education, and rural development.

- Under TFCA, a total of 13 agreements have now been signed with 12 countries, generating more than $163 million 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 to mid FY 2009, and makes up a large portion of the FY 2009 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 FY 2007, 32 countries (see Table 3) had made sufficient progress on economic reforms and commitments to poverty reduction to reach their HIPC Decision Points. The Central African Republic became the 32nd country to reach its HIPC Decision Point in September 2007. Twenty-three of these countries have met the conditions to reach their HIPC Completion Points, and qualified for reduction in their stock of debt. Sao Tome & Principe reached Completion Point in March 2007, and The Gambia reached Completion Point in December 2007.

- Creditors have committed to reduce the external debt of these 32 countries by over $63 billion (nominal terms) under the HIPC framework.

- Debt service ratios for the 32 countries that had reached Decision Point by 2007 have been cut dramatically. On average, debt service/exports ratios have been reduced from 16.6% in 2000 to 6.4% in 2006.

***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 FY 2000, Congress has provided a total of $273.6 million in appropriations for bilateral HIPC debt reduction costs and $674.6 million for U.S. contributions to the HIPC Trust Fund.

- The multilateral HIPC Trust Fund helps to cover the HIPC costs of certain regional multilateral institutions. The United States has pledged roughly 19% of HIPC Trust Fund costs and has so far contributed roughly 21% of amounts paid in ($674.6 million out of $3.3 billion).

***Use of HIPC Relief***

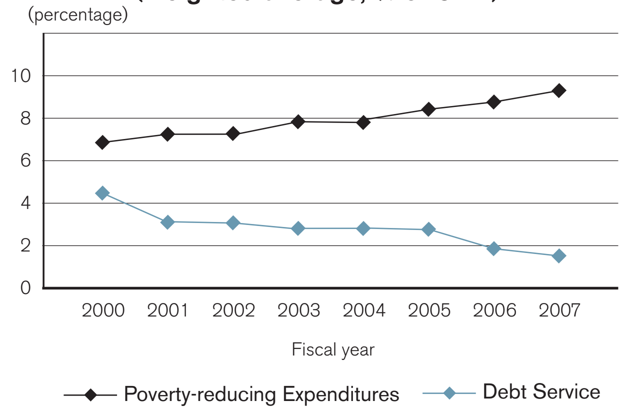
- HIPC debt relief significantly reduces HIPC qualifying countries' annual debt service obligations, freeing resources for poverty reduction expenditures.

- The HIPC qualifying countries are expected 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. In 2006, poverty-reducing expenditures for the Decision Point HIPCs (as of FY 2007) were over five times as large as debt service payments.

### *Program Assessment Rating Tool (PART)*

- HIPC underwent a PART evaluation by the Office of Management and Budget in 2007, and received a rating of "moderately effective." Treasury continues to monitor the performance of the HIPC initiative.

**Figure 7: Poverty-Reducing Expenditures and External Debt Service for Post-Decision Point Countries (Weighted average, % of GDP)**




Source: IMF/World Bank, HIPC and MDRI – Status of Implementation, September 6, 2007. Data for 2007 are projections.

## (Table 3) Debt Relief under HIPC Initiative

(Total HIPC relief committed, $ Millions)

| Enhanced HIPC Decision Point | | Total HIPC Debt Reduction | |
|---|---|---|---|
| | | In NPV Terms | Nominal |
| **Countries that have reached Completion Point (23)** | | | |
| Benin | Jul. 2000 | 262 | 460 |
| Bolivia* | Feb. 2000 | 1,330 | 2,060 |
| Burkina Faso* | Jun. 2000 | 553 | 930 |
| Cameroon | Oct. 2000 | 1,267 | 4,917 |
| Ethiopia | Nov. 2001 | 1,935 | 3,275 |
| Gambia | Dec. 2000 | 67 | 90 |
| Ghana | Feb. 2002 | 2,187 | 3,500 |
| Guyana* | Nov. 2000 | 591 | 1,354 |
| Honduras | Jul. 2000 | 556 | 1,000 |
| Madagascar | Dec. 2000 | 836 | 1,900 |
| Malawi | Dec. 2000 | 939 | 1,600 |
| Mali* | Sept. 2000 | 539 | 895 |
| Mauritania | Feb. 2000 | 622 | 1,100 |
| Mozambique* | Apr. 2000 | 2,143 | 4,300 |
| Nicaragua | Dec. 2000 | 3,308 | 4,500 |
| Niger | Dec. 2000 | 644 | 1,190 |
| Rwanda | Dec. 2000 | 651 | 1,316 |
| Sao Tome & Principe | Dec. 2000 | 117 | 263 |
| Senegal | Jun. 2000 | 488 | 850 |
| Sierra Leone | Mar. 2002 | 675 | 994 |
| Tanzania | Mar. 2000 | 2,026 | 3,000 |
| Uganda* | Feb. 2000 | 1,027 | 1,950 |
| Zambia | Dec. 2000 | 2,499 | 3,900 |
| **Countries that have reached Decision Point (9)** | | | |
| Afghanistan | Jul. 2007 | 571 | 1,272 |
| Burundi | Aug. 2005 | 826 | 1,465 |
| Central African Republic** | Sept. 2007 | 583 | -- |
| Chad | May 2001 | 170 | 260 |
| Congo, Dem. Rep. | Jul. 2003 | 6,311 | 10,389 |
| Congo, Rep. (Congo-B) | Apr. 2006 | 1,679 | 2,881 |
| Guinea | Dec. 2000 | 545 | 800 |
| Guinea-Bissau | Dec. 2000 | 416 | 790 |
| Haiti | Dec. 2006 | 140 | 213 |
| **Total HIPC** | | **36,503** | **63,414** |

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

** Reached Decision Point after the 2007 ***HIPC and MDRI Status of Implementation*** report was produced. Comparable nominal data is not yet available.

| Potentially Eligible Countries that have not reached Decision Point (8) | | |
|---|---|---|
| Comoros | Liberia | Sudan |
| Cote d'Ivoire | Nepal | Togo |
| Eritrea | Somalia | |

Source: IMF/World Bank, HIPC and MDRI – Status of Implementation, September 6, 2007.

# 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.

- Thirteen TFCA agreements in twelve countries (Bangladesh, El Salvador, Belize, Peru, the Philippines, Panama (two agreements), Colombia, Jamaica, Paraguay, Guatemala, Botswana, and Costa Rica) have been concluded to date. These agreements will generate over time more than $163 million for tropical forest conservation.

- Under the TFCA debt swap mechanism, a unique public/private partnership has evolved in which environmental NGOs such as Conservation International, The Nature Conservancy, and World Wildlife Fund provide additional funds for debt reduction, increasing the size of individual agreements, and contributing additional expertise in the management of resulting programs. Eight of the 13 TFCA agreements so far provide for debt swaps.

- The Treasury Department is currently in negotiation with the Government of Indonesia on a TFCA agreement. Expressions of interest in TFCA debt treatment have recently been received from the governments of Brazil, Peru, and Kenya. In addition, the Treasury Department is talking to other countries about their possible application for TFCA.

- TFCA underwent a Program Assessment Rating Tool (PART) re-evaluation by the Office of Management and Budget in 2007, and received a rating of "moderately effective." Treasury continues to monitor the performance of existing TFCA programs.

- The TFCA reauthorization has not yet been approved by Congress. However, we have authority to pursue agreements under the existing TFCA authorizing language, because of the appropriations laws passed by Congress.

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

| Country | Year (FY) | USG Cost ($ Millions) | Swap Contribution ($ Millions) | Funds Generated for Conservation ($ 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 |
| Costa Rica | 2007 | 12.6 | 2.5 | 26.1 |
| **TOTAL** | | **95.4** | **9.6** | **163.5** |

# Support for Treasury Technical Assistance Programs



| FY 2008 Enacted | FY 2009 Request |
|---|---|
| ***$20,234,760*** | ***$29,000,000*** |

The FY 2009 request for Treasury International Affairs Technical Assistance (TIATA) is $29.0 million. Treasury's assistance program focuses its activities on five disciplines: budget, taxation, government debt, financial institutions, and financial enforcement (combating financial crimes, terrorist funding and grand corruption). 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.

***This level of funding will allow Treasury to pursue a variety of objectives.***

***Fragile States:*** TIATA assists 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 FY 2009 will strengthen the ability of the program to respond to engagements of this type.

***Low-Income Countries:*** TIATA helps sustain, deepen 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. Treasury technical assistance works with these countries to develop and implement sustainable debt management strategies and practices as they seek to meet their budgetary financing requirements. In FY 2007, Treasury provided assistance to 17 countries in various states of HIPC completion (up from 12 in FY 2006) – Afghanistan, Ethiopia, Ghana, Guinea, Haiti, Honduras, Liberia, Madagascar, Malawi, Mozambique, Nicaragua, Niger, Rwanda, Sao Tome & Principe, Tanzania, Uganda, and Zambia. These engagements focus on developing capacity for sound debt management, as do projects in Honduras, Nicaragua, and Paraguay.

***Combating Money Laundering, Terrorist Financing, and Financial Corruption:*** TIATA helps 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 C aribbean, 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 FY 1999, 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 the Western Hemisphere. It is in these last three 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, the 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 established by objective performance measures, 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 FY 2000 through FY 2007, Treasury successfully completed 110 projects. Treasury intends to use FY 2009 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. All requests are evaluated closely to ensure that they advance the overall objectives of U.S. foreign and economic policy.

## Key FY 2007 Successes

The five teams within OTA, each representing one of Treasury's core disciplines, have achieved notable project successes in FY 2007. Many were the result of Treasury's focus on economic policy reforms, anti-corruption, internal institutional controls, governance, and fiscal transparency.

***Budget Policy and Administration (capacity building, fiscal transparency, and governance):*** In 2006, the Government of Georgia passed laws making local governments autonomous from the State government, but supported by the State through services at the local level through intergovernmental transfers. In 2007, the GOG budget was converted to Government Finance Statistics 2001 classifications while those for local governments were left unchanged. OTA assisted the Budget Director in finalizing a new equalization formula law and explanation. The law was submitted to Parliament. Development of the sub-national equalization formula represents a milestone event for Georgia and points the way to similar equalization formulas for other countries within the Caucasus region.

***Government Debt (capacity building, internal controls, and governance):*** Active cooperative work between an OTA Debt project advisor and officials in Ghana resulted in that country's debut $750 million Eurobond issue on September 27, 2007. This was the first sub-Saharan Euro bond in 30 years. The issue was very well received by investors and, if managed prudently, is a major step toward Ghana having access to a broad array of financial instruments and markets.

***Financial Enforcement (anti-corruption, anti-money laundering, and counter financing of terrorism):*** Treasury assisted Afghan authorities in the licensing and reporting of hawaladars (money remitters) on cash transactions and suspicious transactions with the financial intelligence unit of the Central Bank. This marks a significant advancement in financial sector oversight in the country.

***Banking and Financial Services (bank reform and restructuring):*** In Zambia, Treasury provided assistance that led to the successful drafting of the deposit protection act. Treasury anticipates that the Zambian Finance Ministry will submit the bill to the Cabinet, the President, and the Parliament in early 2008, with enactment to follow later in the year. This will lead to a system which provides much needed protections to the savings of individual depositors in the country. In addition, three liquidation proceedings on failed banks were advanced and will see final resolution during FY 2008.

***Tax (fiscal transparency, and capacity building):*** An OTA Tax project has been assisting Costa Rica since mid-2005 in modernizing virtually all aspects of its tax administration, paying particular attention to the collection of taxes in arrears and taxpayer audits. The Costa Rica tax administration cites multiple recommendations made by the Tax project as the primary cause of remarkable increases in collections from taxpayers who had previously avoided payment and whose accounts had gone delinquent. In 2006, the Costa Rican government collected 16.9 billion colones ($34.6 million) more than in 2005, a 157 percent increase. From May through January of 2007, the local tax offices collected 2.5 billion more colones ($5.1 million) than planned. This exceeded expectations by 53% and represented more tax revenues in the first five months of 2007 than officials had collected in the first nine months in 2006.

## 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:*** Iraq presents an extraordinarily difficult and dangerous setting. At present, four OTA advisors are stationed in Baghdad providing support to Treasury's Financial Attaché and engaging with Iraqis on budget execution, governmental accounting, bank supervision, bank restructuring, and electronic payments. The primary focus of the OTA mission is on budget execution which requires obtaining and documenting consensus on investment budget execution policies and procedures; training Iraqis (central ministries and provincial governments) on investment budget execution; and training U.S. personnel deployed or deploying to Provincial Reconstruction Teams (PRTs). In addition, an electronic payments system was completed within Baghdad. With financial resources and support from the Departments of State and Defense, OTA anticipates that it will be able to project its activities into areas of Iraq outside of Baghdad in the coming year.

***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 focused on assisting the Ministry of Finance with reconciling the government's domestic debt arrears and Treasury is slated to begin providing additional assistance on tax administration issues.

***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.

# World Bank Group

## International Development Association (IDA) Request: $1.277B

Founded in 1960 as the concessional finance window of the International Bank for Reconstruction and Development (IBRD), IDA has become the largest provider of multilateral official development assistance to low income countries. Its substantial disbursements – on the order of $80 billion during 1994-2005 – have been underpinned by a unique set of core strengths, which include: its financial resources; its knowledge base and the quality of its policy advice; a global reach combined with local presence; a multi-sectoral perspective; and its convening power. The purposes of IDA's no-interest loans, grants, and technical assistance correspond to recipient countries' national development strategies, improving the likelihood that reforms will be implemented. IDA-financed operations address such sectoral programs as primary education, basic health services, clean water and sanitation, environmental safeguards, business climate improvements, infrastructure and institution strengthening. These projects help create the foundation for sustainable economic growth, poverty reduction, job creation, higher incomes, and better living conditions.

IDA operations are financed primarily through contributions by donor countries, but IDA also receives funding through principal repayments from loans financed from past donor contributions, investment income, and direct transfers from IBRD and IFC net income. Agreement on the most recent IDA replenishment (IDA15) was reached in December 2007. The agreement provides $41.6 billion for development finance to the poorest countries for FY 2009–FY 2011. The United States pledged $3.705 billion to IDA15 ($1.235 billion per year) for the period covering July 2009 through June 2011.

Major policy initiatives and policy reforms agreed to as part of IDA15 include: an expanded results measurement system in order to increase the effectiveness of IDA's development projects and programs, improvements to the operational framework and financing arrangements for Bank engagement in fragile/post-conflicts states, measures to enhance debt sustainability, and progress towards greater transparency at the institution itself. The Department of Treasury will work closely with IDA to ensure that performance and other reform commitments agreed to in the replenishment negotiations are implemented in a timely and effective manner.

For FY 2009, the Administration is requesting $1.235 billion for the first of three payments under the U.S. commitment to IDA15 and $42 million to clear a portion of outstanding U.S. arrears that will enable us to meet our commitments to the President's Multilateral Debt Relief Initiative (MDRI).

## Key Facts

- The U.S. share of donor contributions to IDA15 is approximately 15%, and the U.S. share of cumulative donor contributions to IDA is 22.09%.
- For IDA15, every $1 of U.S. funding leverages just over $15 in IDA loans and grants.
- In 2007, IDA made commitments of $11.9 billion, representing 189 operations in 64 countries and a 25% increase in commitments over those made in 2006.
- The largest share of resources was committed to Africa, which received a record $5.8 billion, or 49%



Note: World Bank Fiscal Year: July 1–June 30; Internet website: www.worldbank.org/ida

of total IDA commitments. South Asia ($4 billion) and East Asia and Pacific ($1.2 billion) also received large shares of total funding.

- The largest share of commitments went to sectors related to infrastructure (33%) and social services (29%). This was followed by commitments to law, justice, and public administration, which received $2.7 billion in funding (23% of the total).

- Currently, 80 countries are eligible to receive IDA resources, accounting for 2.5 billion people, half of the total population of the developing world. An estimated 1.5 billion of these people survive on incomes of $2 or less a day. Nearly all IDA-eligible countries have a per capita income below $1,000 with limited or no ability to borrow from the market.

- IDA channels a larger share of assistance to countries that are well governed and enact pro-growth policies through its performance-based allocation system, one of the most selective systems of any donor in the world. For FY 2006-08, the top 10% of country performers received nearly seven times as much assistance on a per capita basis as the lowest 10%.

## Supporting U.S. Policy Priorities

### IDA Countries Are Making Progress

Over the last 25 years, the number of people living on less than $1-a-day decreased by some 400 million. Based on current trends, the Millennium Development Goal (MDG) of reducing extreme poverty by 50% from its 1990 level will be achieved by 2015. As a whole, IDA recipient countries have made significant progress: economic growth is accelerating, obstacles to doing business are being removed, infrastructure is improving and human development indicators are rising. For instance,

- People are living, on average, fifteen years longer than they did forty years ago.

- Illiteracy has been cut in half over the past thirty years, from 50% to 25% of the population, and 80% of children now complete their primary education.

- Real GDP per capita has grown 4.9% annually between 2002 and 2005; more than double the average rate between 1990 and 2002. Nearly 85% of IDA countries have enjoyed positive growth since 2002, in particular those in sub-Saharan Africa.

- Regulatory obstacles to private sector development have been reduced by one-sixth between 2003 and 2005. Registering a new business in IDA countries is now cheaper and faster than in many transition and emerging market economies.

### Measuring Development Results

IDA was the first international financial institution to introduce a results-measurement system (RMS) to monitor IDA country progress and measure their contribution to these outcomes. Specifically, the RMS tracks: (1) individual country outcomes through 14 indicators (such as primary school completion rates and HIV prevalence rates ); (2) IDA's contribution to country outcomes through output indicators (such as number of teachers trained or facilities built) and indicators that track the number of projects that achieve their development objectives.



Note: World Bank Fiscal Year: July 1–June 30; Internet website: www.worldbank.org/ida

Over the duration of IDA15, IDA will work to improve the quality of data for outcome and output indicators through efforts to build country statistical capacity and development of a standardized list of select indicators across four to five sectors in order to produce more accurate indicative aggregation of sector-specific outputs. In addition, IDA will also develop a better measure of private sector development as well as an indicator to measure the quality of public financial management in IDA countries. These efforts will help ensure that countries strengthen the link between expenditures and performance, improving not only the effectiveness of IDA assistance but also broader public spending in country.

## Effective Engagement in Fragile and Post-Conflict Countries

Over the past two years, the Bank has considerably scaled up its response to challenges in fragile and conflict environments. As a result of the reforms achieved in the IDA15 replenishment, the Bank has significantly enhanced its capacity to provide financial and analytical support, which includes, for example, grant financing and exceptional access to IDA resources (i.e. above the level that would be prescribed based on performance). This can help cash-strapped post-conflict countries create a "peace dividend" by quickly restoring essential service delivery and jump starting infrastructure reconstruction. IDA has also adopted organizational and staffing changes to help attract highly qualified staff and enhance its on-the-ground presence in fragile states.

- In February 2007, the World Bank Board approved a new **"Framework for Rapid Response" to strengthen the Bank's response to crises** by enabling the disbursement of Bank's funds within as little as three months. To date, projects worth $373 million have been approved under this policy for Côte d'Ivoire, Central African Republic, Liberia, Lebanon, the Democratic Republic of Congo and Timor Leste.

- Since April 2002, IDA has channeled just under $1.3 billion for 33 reconstruction projects in Afghanistan. IDA's emergency education project rehabilitated schools, decentralized school management and helped increase enrollment across grades. Over the four years of the IDA project (2002-2006), enrollment of children in grades 1-12 increased from 3.1 million to just over 5 million (of which 1.75 million are girls), while tertiary enrollments increased from about 23,000 to almost 40,000 (including 8,000 women).

- In 2007, aided with internal resources from IDA, Liberia cleared all overdue debt service payments to the World Bank ($344 million to IBRD and $56 million to IDA). Clearance of arrears to the Bank and other multilateral financial institutions will make Liberia eligible for full debt relief under the HIPC and MDRI programs, thereby contributing to the country's ability to achieve growth and recovery in the coming years.

- In Sierra Leone, a $31.5 million multi-donor trust fund financed the disarmament and demobilization of 72,000 ex-combatants. In addition, 56,000 received training support for their reintegration into local communities, including 1,800 child-soldiers.

## Environment and Climate Change

Over the past decade, IDA has lent nearly $4.5 billion to support environment and natural resource management. This support has helped mitigate air pollution in urban and industrial areas; provided cleaner and more reliable water supplies; made land management more sustainable; built environmental institutions; addressed the effects of climate change, and protected biodiversity. Through credits and analytical work, IDA has helped integrate environmental issues in national development strategies.

- Under a $40 million grant for Madagascar that blended resources from IDA and the Global Environmental Facility (GEF), protected areas have increased by 2 million hectares since the start of the Third Environment Program for Madagascar in 2004. The project aims to create 6 million hectares of new protected areas by 2009. The grant was the largest provided by IDA to date for the environment. The project set up an endowment fund for the country's protected areas to ensure their long-term financing.

- The Bank has made real progress in improving water resources supply and management and sanitation in the last 15 years. In sub-Saharan Africa, the share of the population with access to improved water has increased from 45% in 1990 to 53% in 2004; for all IDA countries, it improved from 65% to 75%.

## Regional Projects and Programs

Increasingly, many of the most pressing development needs, particularly in Africa, cannot be solved on their own, but require cooperation among countries. Issues such as water management, road networks, trade facilitation, and energy access, require regional responses, yet the Bank for most of its history has been designed mainly to support programs in individual countries. Since IDA13, support for regional projects has become an increasingly important part of IDA's work program. In order to access funding at least three countries must participate: one-third of the cost is funded by the participating country's IDA allocation, while two-thirds is funded through IDA's regional program. This ensures that countries are committed to the success of the regional projects, while at the same time providing the necessary resources for critical regional programs that would otherwise have been prohibitively expensive for individual countries.

Currently, demand for regional funding outstrips available IDA funding by nearly 2-to-1. Based on this, and the recent finding that the Bank has achieved positive results with the regional funds, IDA15 donors agreed to a significant increase for regional projects in IDA as one of the key components of the IDA15 replenishment. This will allow IDA to develop a range of critical regional infrastructure projects (energy, transport, water and sanitation), as well as investment in the management of river basins and other natural resources.

- IDA's commitments for regional projects have increase significantly from $155 million (1995-2000) to $993 million (2001-2006). The IDA15 agreement increases by 60% the amount of funds dedicated to IDA's regional program.

- Africa is the main recipient of IDA's support to regional projects. Roughly 90% of regional financing during 2001-2006 went to Africa.

- IDA also provides regional analytical and advisory services. Over the last four years, the Bank supported a total of 865 regional and global analytic and advisory activities. Much of this analysis, combined with implementation experience has helped IDA develop a Regional Integration Assistance Strategy for Africa, which will be presented to the Board of Directors this coming year.

## Program Assessment Rating Tool (PART)

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



Note: World Bank Fiscal Year: July 1–June 30; Internet website: www.worldbank.org/ida

# World Bank Group

## International Bank for Reconstruction and Development (IBRD) Request: $0.0

The International Bank for Reconstruction and Development (IBRD) seeks to reduce poverty in middle-income and creditworthy poorer countries by promoting sustainable development and economic growth through loans, guarantees, risk management products, and analytical and advisory services. Established in 1944, 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, paid-in capital and the flow of repayments on outstanding loans. The income that IBRD has generated over the years has allowed it to fund development activities and to ensure its financial strength, which enables it to borrow at low cost and offer countries good borrowing terms.

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 FY 1996.

## Key Facts

- In terms of voting rights, the United States is the single largest shareholder in the IBRD with 16.4%.
- New lending commitments by IBRD fell in FY 2007, to $12.8 billion for 112 operations, bringing cumulative commitments to $433 billion.
- Latin America and the Caribbean region received the most IBRD lending, with $4.4 billion (34% of total IBRD commitments). It was followed by Europe and Central Asia, which received $3.3 billion (26%) in commitments, and East Asia and Pacific, which received $2.8 billion (22%).
- Transportation received the highest volume of lending ($3.6 billion); followed by Law and Justice and Public Administration ($2.7 billion); Private Sector Development ($2.6 billion); and Water, Sanitation, and Flood Protection ($1.9 billion).
- In its annual review of IBRD's active lending portfolio, the Quality Assurance Group estimated that the share of well-performing Bank projects at project completion reached 81% in FY 2006, a level unmatched in the past 25 years.

## Supporting U.S. Policy Priorities

### Enhancing Governance Capacity and Anti-Corruption Efforts

The World Bank is the leading donor globally in providing support for strengthening public sector management and working closely with countries to fight corruption. Programs and projects in FY 2007 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/central governments to deliver services effectively and with greater accountability to local communities.



Note: World Bank Fiscal Year: July 1–June 30; Internet website: www.worldbank.org/ibrd

Also, the Bank is a leader in operational and empirical research on governance and corruption in the development and application of governance diagnostics. Donors frequently rely on the World Bank Institute's (WBI's) Governance and Anticorruption country diagnostics indicators, including the Millennium Challenge Corporation (MCC), which uses several of these indicators, including "Control of Corruption" as criteria for MCC assistance.

- In 2007, the World Bank began implementing a comprehensive strategy for fighting corruption and improving governance in client countries and within the institution, the first such strategy among the MDBs.

- The Department of Institutional Integrity (INT) investigates allegations of fraud and corruption in Bank-financed projects. Since 2001, INT has handled more than 2,400 cases of alleged fraud, corruption, or other wrongdoing, resulting in the public debarment of 340 companies and individuals, whose names were then listed on the Bank's website.

- Released in 2007, the Volcker Report evaluated the work of INT. The report supported the work of INT and stressed the key role INT must play in the Bank's anti-corruption effort, both through INT's contribution to detect and prevent corruption in Bank operations but also to assist borrowing countries in building anti-corruption protection. The Bank has posted the report on its website for public comment.

- The range of World Bank assistance in this sector has included supporting competitive recruitment of civil servants in Albania; decentralization to regional, district, and sub-district levels in Ethiopia; court modernization in Honduras and Georgia; and the use of citizen report cards to strengthen the voice of users of social services in Georgia, Laos, and Peru.

## Improving the Business Climate for Private Sector Development

The IBRD engages in many private sector initiatives with borrowing countries, providing opportunities to the poor through market-friendly, private enterprise-led growth. For instance, in Albania the Bank financed a $23 million loan to address private sector development and poverty alleviation by increasing the availability of financial services to rural farmers and entrepreneurs, urban micro-entrepreneurs and the self-employed. In Mexico, the Bank financed a $75 million loan to help develop a robust savings and investment sector.

The Bank also provides analytical services to their client countries. In addition to the Doing Business report, the Bank's enterprise surveys on the business climate in developing countries now cover 65,000 firms in 91 countries and helps inform governments on how regulations help or hinder businesses in their countries. The analyses in these assessments are useful in guiding government reforms and have supported Bank projects in more than 30 countries during FY 2007.

## Global and Regional Public Goods – Environment, Communicable Diseases, Natural Disasters

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, HIV/AIDS, and climate change. The Bank engages in global and regional public goods through research, global advocacy, country-level analytic work, technical assistance, lending operations, global partnerships, trust funds, and innovative financing mechanisms. Driven by country demand from both donors and borrowers, the Bank's engagement on issues of global and regional concern have increased over the past several years.



Note: World Bank Fiscal Year: July 1–June 30; Internet website: www.worldbank.org/ibrd

- The Bank committed $274 million to prevent, control, and treat communicable diseases during fiscal year 2007.

- In the last five years, the World Bank has committed $1.9 billion through grants, loans and credits to fight HIV/AIDS. The Multi-Country HIV/AIDS Program (MAP) for Africa has made available $1.5 billion to 33 countries, including five sub-regional (multi-country) initiatives. Total World Bank financing for HIV/AIDS since 1988 is around $3.7 billion.

- The World Bank's response to climate change has been developed as part of the Bank's Clean Energy Investment Framework (CEIF). Its main elements are improving access to clean energy; supporting the transition to a low carbon development trajectory; and supporting adaptation to climate change.



Note: World Bank Fiscal Year: July 1–June 30; Internet website: www.worldbank.org/ibrd

# World Bank Group

## The Multilateral Investment Guarantee Agency (MIGA) Request: $0.0

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.

## Key Facts

- The United States is the largest shareholder in MIGA with 32,564 shares, or 15.0% of the voting power, at the end of FY 2007.

- U.S. investors account for 6.8% of MIGA's gross portfolio, and MIGA has issued a total of 164 contracts to U.S. investors for about $2.2 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 since MIGA's inception. As of December 31, 2007, outstanding coverage for U.S. investors totaled $328 million.

During 2007, MIGA issued 45 new guarantee contracts, totaling $1.4 billion in gross coverage. Fourteen out of twenty-nine projects supported by MIGA were in IDA-eligible countries, representing $387 million in guarantees or 28% of guarantees written in 2007. Today, the agency's gross guarantee exposure in IDA countries is $2.2 billion, 41% of MIGA's outstanding portfolio.

- To date, MIGA has issued 884 guarantees worth $16.7 billion. MIGA's total gross exposure outstanding is $5.3 billion.

- MIGA paid no claims in 2007. 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 two claims pending, in Nicaragua and Kyrgyzstan.

## Supporting U.S. Policy Priorities

### Managing for Results

MIGA's success is broadly defined by the amount of FDI that it is able to mobilize through the provision of political risk insurance. MIGA is currently working to improve the measurement of the development impact of its guarantees. As part of its new disclosure and environmental safeguards policies, MIGA is working to promote publication of individual project results for environmentally and socially-sensitive guarantees.



Note: MIGA Fiscal Year: July 1–June 30; Internet website: www.miga.org

## Promoting Private Sector Development

The largest area of activity for MIGA in 2006 was in Latin America and the Caribbean, where MIGA supported projects worth $501 million. The next most active region was Europe and Central Asia, where MIGA issued $430 million in guarantees. As a result of expiration and cancellations of existing contracts, from 2006 to 2007 MIGA's gross exposure in Africa and Europe and Central America declined from $873 million to $757 million and from $2.5 billion to $1.9 billion, respectively. Exposure in Latin America increased from $1.095 million to $1.5 billion over the same time period.

In 2007, MIGA issued coverage for five 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 $27 million – much less than the average MIGA guarantee of $50 million. The beneficiaries of the SIP include companies in post-conflict Afghanistan and Burkina Faso, Cameroon, and Guinea-Bissau. In addition, several other MIGA guarantees support small and medium-sized enterprises (SMEs) 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.

## Disclosure and Environmental Safeguards

Fulfilling MIGA's mandate and ensuring socially and environmentally friendly foreign direct investment requires periodic reassessment of MIGA's policies and standards. In 2007, with guidance from its Board, MIGA developed new draft policies on social and environmental sustainability and disclosure which were made public for stakeholder comment. The new policies will take effect in 2008.



Note: MIGA Fiscal Year: July 1–June 30; Internet website: www.miga.org

# 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, mobilizes private capital alongside its own resources, and provides advisory and technical assistance services to advance the development of the private sector.

For FY 2009, the Administration is not requesting any funding for the IFC.

## Key Facts

- The United States is the IFC's largest shareholder, owning 24.1% of IFC's capital.

- 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 FY 2007, IFC's net income totaled $2.6 billion, a record high, and up from the previous year's record of $1.3 billion.

- In FY 2007, the IFC committed $8.2 billion in new investments in 299 projects. In addition, it mobilized another $3.9 billion in capital from other commercial banks and other financial institutions through the B-loan program (syndicated loans with private banks where the IFC is the lender of record).

- At the end of FY 2007, IFC's committed portfolio totaled $26.2 billion, consisting of $19.3 billion in loans, $5.4 billion in equity investments and $1.5 billion in guarantees and other structured finance products. Outstanding commitments under the B-loan program totaled $5.5 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. The De-Unit has shown the Board the initial results from its new Development Outcome Tracking System, which enables continuous monitoring of development impact for projects or technical assistance assignments.

### 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.



Note: IFC Fiscal Year: July 1–June 30; Internet website: www.ifc.org

## Business Enabling Environment

The IFC has replicated the success of its Doing Business Indicators to address municipal-level regulations in Latin America, which are often a key constraint to businesses. The IFC is now working in 45 municipalities in 8 countries to streamline business regulatory processes. For example, two Honduran municipalities reduced the time for getting an operating license from 35 days to one day for "low-risk" businesses (approximately 80% of all firms). The business sector's response was immediate, with the number of licenses issued in these cities increasing 110% from 2006-2007.

## Promoting good governance and combating fraud and corruption

IFC promotes corporate governance with technical assistance provided through its private sector development facilities. For example, the IFC's Private Enterprise Partnership for the Middle East and North Africa has, as of June 30, 2007, organized 111 training events for over 3,800 directors and senior officers from about 1,700 companies. The program has also conducted nine corporate governance assessments or reviews in the region.

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, information protected by disclosure agreements, or individual project evaluations.

## Aiding Post-Conflict Situations

The IFC has 195 active advisory service projects in 25 conflict-affected countries, including Liberia, Sierra Leone, Democratic Republic of Congo, and Lebanon.

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

- In March 2006, the Board approved a technical assistance program for up to two years at 40 financial institutions, which make a commitment to expanding micro and SME finance.

- The IFC 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.

## Responding to Climate Change

IFC is an active partner in the World Bank Group's 2004 Bonn commitment to scale up support for renewable energy and efficiency by 20% each year. In FY 2007, IFC's involvement in these areas totaled $477 million. It supported 27 projects, which had a substantial renewable energy or energy efficiency investment component. The total amount of clean energy investment represented by these 27 projects was $2 billion.



Note: IFC Fiscal Year: July 1–June 30; Internet website: www.ifc.org

## Global Environment Facility (GEF) — Request: $80.0M

Launched in 1991, the GEF is the world's leading financier of projects that benefit the global environment. It provides partial funding, mostly grants, for projects that address global environmental issues like climate change and biodiversity loss. The GEF is legally a trust fund of the World Bank, and its projects are implemented by other international agencies, including the World Bank, the United Nations Development Program (UNDP), and regional development banks. The GEF has 176 member countries and a 32 member governing board. The GEF only funds the parts of projects that produce global environmental benefits. In so doing, the GEF benefits the United States by reducing harmful, long-lived chemicals in our air and water, protecting international marine resources (such as international fish stocks), and by protecting carbon sinks like tropical rain forests. Since mid-2006, the GEF has undertaken a robust reform agenda and has implemented key reforms called for by the United States.

For FY 2009, the Administration is requesting $80.0 million for the third of four payments toward a total U.S. contribution of $320 million pledged during the fourth replenishment (GEF4).

# Key Facts

- The United States is the largest contributor to GEF4, with a share of 14%. This is down from 19.5% in GEF3.

- Since its inception, GEF has approved over $6.2 billion in grants, which is expected to leverage approximately $20 billion in co-financing to support more than 1,800 projects in over 155 countries. During FY 2006, the GEF approved $574 million in grants for 133 projects.

- The GEF's projects fall into seven categories. Cumulative grant allocations to these areas since 1991 have been as follows: biodiversity conservation (33%); reducing or avoiding emissions of greenhouse gases (GHG) (33%); international waters (13%); phasing out ozone-depleting chemicals (2%); reducing persistent organic pollutants (POPs) (3%); promoting sustainable land use (5%); and cross-cutting projects (11%).

# Supporting U.S. Policy Priorities

The GEF has produced clear global environmental benefits, particularly in the areas of climate change, biodiversity conservation, international waters, and ozone-depleting substances. Under GEF4, the GEF has moved aggressively to address previous shortcomings to improve institutional effectiveness and efficiency.

## Improving GEF's Effectiveness

In August 2006, 32 donor governments pledged $3.13 billion over four years for the GEF's fourth replenishment and agreed to a set of important policy reforms that the United States strongly supported. GEF management has demonstrated a strong track record in implementing these reforms and, thus far, all reforms are on target. Actions to date include:

- Approval and implementation of a new streamlined project approval process and project cancellation policy. The GEF is currently aiming to cut the amount of time it takes to develop and approve a GEF project by 50% to 22 months.



Note: GEF Fiscal Year: July 1–June 30; Internet website: www.gefweb.org

- Approval of new focal area strategies with a results-based management framework that includes measurable portfolio-wide indicators. This framework will enable the GEF Council and GEF management to monitor the GEF's progress in attaining key strategic objectives.

- Adoption of a set of minimum fiduciary standards for all agencies that receive GEF resources. These standards include key provisions for fighting fraud and corruption.

## Supporting Good Performers

The GEF's performance-based allocation system (called the Resource Allocation Framework or RAF) has been under implementation since February 2007, and governs allocation of most of the resources within the biodiversity and climate change focal areas, which account for two-thirds of GEF investment. The RAF is having a positive impact in terms of enhancing country ownership, increasing transparency, and improving project prioritization. A proposal to extend the RAF to other focal areas is to be proposed for GEF Council consideration by 2010.

## Managing for Results

In recent years, the GEF has improved its ability to target, measure, and report on its results. Its new results-based management framework will improve its performance further.

- Since 1991, GEF climate change projects already completed or underway are expected to reduce or avoid more than two billion metric tons of greenhouse gas emissions. This is equivalent to about two times Germany's annual greenhouse gas emissions.

- Two GEF projects in India and China aim to achieve a reduction in greenhouse gas emissions of over 100 million tons over 20 years through an investment of about $65 million.

- A recent GEF Evaluation Office study found that GEF-supported conservation projects in Uganda and Kenya improved the management and financial sustainability of protected areas for mountain gorillas and black rhinoceros. The projects contributed to a sustained reduction of threats to these species, which increased in number as a result.

- The GEF's program to restore the health of the Danube River and the Black Sea has led to reductions of phosphorus and nitrogen pollution by 50 and 20%, respectively, in the Danube River and the disappearance of periodic "dead zones" in the western Black Sea.

## Promoting Good Governance, Increasing Transparency, and Fighting Corruption

The GEF has long been a leader among the MDBs on operational transparency. All policy, project, and budget documents are posted on the internet at the same time as they are circulated to Council Members, and meetings of the GEF Council are open to non-governmental organizations. Engagement with local communities and NGOs occurs at all points during project development.

## Program Assessment Rating Tool (PART)

OMB completed a PART examination of the GEF in 2004. The GEF 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 (16%). The overall assessment rating was "Results Not Demonstrated", largely because important reforms had not yet been completed and there were no performance indicators to measure results.



Note: GEF Fiscal Year: July 1–June 30; Internet website: www.gefweb.org

## Clean Technology Fund — Request: $400.0M

Energy security and climate change are important priorities for the Administration. Therefore, in September 2007, President Bush proposed a major multilateral initiative to create a new international clean technology fund to help developing countries harness the power of clean energy technologies and address the growing problem of accelerating greenhouse gas emissions in major developing countries. The Administration will submit authorizing legislation for this fund. The $400 million request is part of a three year $2 billion commitment to this fund.

## Key Facts:

- According to the International Energy Agency, by 2030, global demand for energy will increase by over 50%, with almost three-quarters of this increase coming from developing countries.

- While estimates of the incremental cost necessary to ensure that investments are made in lower carbon infrastructure vary by long-term emissions goal, these estimates, on average, are $60 billion per year globally. Among developing countries, the incremental cost, on average, is $30 billion annually.

- The fund will help ensure that developing countries deploy clean technology by helping to finance the additional cost of clean investments over dirtier alternatives.

## Design of the Fund:

A substantial U.S. commitment will give the fund the scale needed to catalyze sufficient finance to reduce the estimated $30 billion annual additional cost of deploying clean technology in developing countries. The Administration is working with donors and developing countries to create a fund, to be launched in 2008, that will catalyze resources of the multilateral development banks and the private sector to create innovative financing instruments to spur clean technology investments in the major emitting developing countries.

The fund has three objectives:

- To reduce emissions growth in major developing countries through accelerated deployment of clean technologies;

- To stimulate and leverage private sector investment in existing clean technologies; and

- To encourage developing countries to pursue environmentally sound policies to reduce greenhouse gas emissions.

To accomplish this, the fund would invite developing countries that have high expected emissions growth to submit a request to use fund resources in conjunction with other multilateral, public and private capital to finance energy, energy efficiency, transport or other projects with emissions reduction potential. The fund would use a mix of concessional finance, grants, and credit guarantees to finance the additional cost of deploying clean technologies in energy, transportation, and other greenhouse gas intensive sectors.

## Supporting U.S. Policy Priorities

The fund will support the five core themes of U.S. climate change policy:

- Reduce greenhouse gas emissions (GHG) while promoting economic growth and development;
- Continue to use a diverse portfolio of domestic measures at hand to reduce the GHG intensity of output;
- Continue to invest heavily in advanced technologies to reduce, avoid or sequester emissions;
- Pursue innovative international public-private partnerships in key sectors; and
- Work with major economies as a constructive and willing partner to build a post-2012 climate framework that is environmentally effective, economically sustainable and global in scope.

It will do so by creating incentives for developing countries that are major emitters and the private sector to reduce the GHG intensity of output, expand markets for advanced technologies to reduce, avoid or sequester emissions, and support work toward a post-2012 climate framework.

# 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 Fund for Special Operations (FSO), the Multilateral Investment Fund (MIF), and the Inter-American Investment Corporation (IIC). The United States co-founded the IDB in 1959 along with 19 other member countries. The primary goal of all the elements of the Bank Group is to reduce poverty by promoting economic growth.

The Bank's primary lending window is 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 March 2007, an agreement was reached on a U.S.-initiated proposal to provide $3.4 billion in debt relief to the five FSO countries, at no additional cost to the United States or other donors. Under this agreement FSO countries will receive positive net flows from the FSO. Haiti will receive $50 million annually in grants through 2009.

For FY 2009, the Administration is not requesting any funding for the OC or 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 2007, IDB made new lending commitments of $8.9 billion and has made lending commitments totalling $154 billion since its inception.

- The FSO made a total of $151 million in new loans and $50 million in grants during 2007, bringing the cumulative total to $18.2 billion since inception. This lending leveraged an additional $303 million in OC lending to FSO countries through the blending mechanism established in the 2007 debt relief agreement.

## Supporting U.S. Policy Priorities

In July 2007, the IDB implemented a reorganization ("realignment") approved by the Board of Governors in 2006. This new organizational model seeks to better respond to the new demands of the countries in Latin America and the Caribbean. The main objectives of the new organizational structure are to strengthen its strategic capacity, deepen its leadership, increase its flexibility and transparency in decision-making, and make monitoring and control functions more efficient.



Note: IDB Fiscal Year: January 1–December 31; Internet website: www.iadb.org

## Promoting Private Sector Development

IDB group lending to the private sector more than doubled from 2006 levels, to $2.9 billion in 2007. A new Vice President for Private Sector Operations was appointed in late 2007 to manage coordination among the three private sector windows (IDB/FSO, IIC and MIF). The Board is expected to approve an Integrated Business Plan for the private sector in early 2008 which includes performance targets in terms of geographical distribution and improving the development impact of operations.

In 2007, the Board approved the Opportunities for the Majority Initiative (OM). The goal of this initiative is to pilot a novel approach to promote and finance an emerging business model that seeks to engage poor and low income communities, together with private businesses, in the development and delivery of quality products and services, the creation of employment opportunities, and the integration of this population in the productive sector. OM projects will be executed via the Bank's private sector windows.

An example of the Bank's recent private sector operation in new sectors is a $40 million project to improve the financial sustainability and support the debt restructuring of a private sector entity in Brazil so that it can invest in new bio-fuel projects. The project will help the entity expand its bio-energy investment program and increase overall competitiveness in the production and export of bio-fuels. This project will provide a catalytic demonstration effect to encourage other private investors to invest in bio-fuels and bio-energy sectors in Brazil and Latin America. Expected outcomes under this project include increasing sugarcane production, ethanol production, and capacity to produce energy from biomass.

### Supporting Regional Infrastructure and Integration

More than half of the of the Bank's 2007 lending was made for a variety of projects aimed at helping the countries of the region fill critical infrastructure gaps and foster regional integration to promote private sector growth. Sectors included energy, transportation, capital markets, investment in productive infrastructure, and technological modernization. Examples include:

- In 2007, the IDB's Infrastructure Investment Fund (INFRAFUND) approved $8.6 million for 18 technical cooperation projects and leveraged an additional $4.9 million in counterpart resources to target critical infrastructure needs in the region by helping private and public organizations identify, develop, and prepare bankable infrastructure projects. Some of the landmark projects the INFRAFUND is supporting include: Santa Fe Wind, the first wind power project in Panama; Portais da Cidade, Porto Alegre's innovative public-private bus rapid transit system; the rehabilitation of the Peligre Hydroelectric power plant in Haiti, which supplies close to 25% of the country's power; the Rio de Janeiro-São Paulo high-speed train link, a project that could be worth in excess of $9 billion; and a joint venture between Argentina and Uruguay for a liquefied natural gas plant, the first of its kind on the Atlantic coast of South America.

- A $50 million loan to the Dominican Republic to rehabilitate and reconstruct road infrastructure and introduce a road maintenance system to make the investment sustainable. The operation also financed the reconstruction of roads impacted by natural disasters. The project is expected to result in a 10% reduction in vehicle costs and travel times in five years.

- Under the auspices of the Plan Puebla Panama, the IDB financed a $30 million investment for Honduras in the CA-5 highway, which links Mexico, Belize, Guatemala, Honduras, and El Salvador. This financing was increased after the MCC approved a similar investment for Honduras as part of its compact.



Note: IDB Fiscal Year: January 1–December 31; Internet website: www.iadb.org

## Promoting Good Governance, Increased Transparency and Fighting Corruption

Former U.S. Attorney General Thornburg has been commissioned to conduct an evaluation of the Office of Institutional Integrity (OII), the Bank's internal investigation unit. This type of evaluation will be similar to the Volcker Report at the World Bank. Work began in late 2007 and will continue into 2008.

Since the Bank's new sanctions process commenced in the third quarter of 2006, OII has presented 14 cases of misconduct in the Bank's procurement activities. To date, the Committee has imposed sanctions on 30 parties: 7 firms and 21 individuals have been banned from participating in Bank-financed projects from periods that range from three years to permanent debarments. In addition, two letters of reprimand were issued to one individual and one firm. These sanctions are public and can be accessed on the Bank's Integrity website.

The IDB signed a Memorandum of Understanding with the Organization of American States to jointly support the implementation of the Inter-American Convention against Corruption. The Bank is also working on implementing a new anti-corruption trust fund that will target innovative and replicable improvements to access to information and transparency that can be used as tools to combat corruption.

In 2007, to promote transparency and strengthen pension system management, the IDB supported a $17.5 million investment loan to Chile. The project seeks to improve operational consistency, coordination, and transparency among the three existing components of the pension system; improve the administration of the defined benefit and welfare-based components, and increase user participation in the pension system.

## Managing for Results

Two objectives of the IDB realignment – to improve efficiency and enhance development impact – have led to changes in the budget and project cycles. Each business unit is now responsible for producing a corporate business plan, which includes results indicators to be evaluated by senior management.

The 2007 budget included pilot indicators for results-based budgeting. In 2008, based on recommendations from the independent Office of Evaluation and Oversight, the Board will further refine these indicators to help move the Bank closer to performance-based budgeting framework. The Board is also in the process of identifying performance metrics to evaluate the progress of the realignment and achievement of the institutional goals of improved efficiency and effectiveness.

A new Project Performance Monitoring Report (PPMR) was launched in 2007 as a tool for measuring project performance during execution. The report now includes a more explicit discussion of quantitative indicators and their baselines, intermediate targets, and completion targets, and a more solid discussion of project externalities, especially environmental and social risks. The new PPMR is expected to better identify project risks during execution and flag these risks early on so that they may be mitigated without reducing the project's effectiveness.



Note: IDB Fiscal Year: January 1–December 31; Internet website: www.iadb.org

# Inter-American Development Bank Group

**Multilateral Investment Fund (MIF)** **Request: $25.0M**

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 non-governmental organizations 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 costs borne by local counterpart contributions. The MIF is providing highly-focused support for private sector development and privatization in Latin America and the Caribbean through the 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 FY 2009, the Administration is requesting $25.0 million for the third installment of the first replenishment of the MIF (MIF2).

## 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 2007, the MIF donors approved 127 technical assistance and investment projects totalling $134 million, of which 110 were grant projects totalling $100 million. Since its inception in 1992, the MIF has approved 1,057 projects for a total committed value of over $1.4 billion.

## Supporting U.S. Policy Priorities

***MIF2 Replenishment:*** In January 2005, MIF Donors agreed to replenish the fund starting in FY 2007. Five new countries will join MIF2 and total pledges received were $502 million. The United States was successful in reaching its objectives of aligning procurement policy with the World Bank, improving results measurements, increasing efficiency, instituting a sunset clause, and securing a commitment to maintain MIF2 grant funding at MIF1 historical levels (roughly 75% of all approvals). MIF2 entered into force in March 2007.

### Improving the Business Climate and Financial Institution Development

In 2007, 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 SME development projects range across all sectors, including agriculture, tourism, manufacturing, and services.

As part of the U.S. Government's Small Business Initiative, announced by Treasury Secretary Paulson in June 2007, the MIF Donors Committee approved an initial $10 million line of activity for regional banks to





Note: IDB Fiscal Year: January 1–December 31; Internet website: www.iadb.org

support an expansion of their lending to small businesses. This line of activity will fund technical assistance to banks to improve their ability to reach this segment of the market. In addition to receiving this technical assistance, banks may receive guarantees or funds for onlending from OPIC or the IIC.

Since its inception, MIF has played a leading role in promoting sustainable microfinance throughout Latin America and the Caribbean, including roughly $250 million in financial support to the sector. Citing the fact that microfinance is estimated at currently covering only 10% of potential demand, in 2007 MIF has set out for itself the goal of tripling the volume of available microfinance by 2012.

In 2007, the MIF provided $1.8 million to support SME participation in new markets in the food sector of El Salvador. This project will strengthen partnerships with international technology partners, train consultants, and support capacity building. The project will track results and have several key benefits by the end of the program, including providing technical support for at least 130 Salvadoran SMEs with leverage from different financial institutions; supporting and implementing 30 business plans; completing 100 diagnostic assessments of technological innovation for SMEs in the food sector; and promoting Salvadoran exports.

### Remittances

MIF has been internationally recognized for its groundbreaking work on remittances. MIF works with other IFIs in developing better measurement of these flows (estimated at $300 billion worldwide in 2006, of which $68 billion was destined for Latin America and the Caribbean). The MIF accomplishes this by developing and disseminating data on the remittance market, engaging in efforts to lower transaction costs, promoting access to financial services, and channeling a portion of remittance flows for productive investment. The MIF seeks to explore emerging technology trends in the market for remittance transfers to identify ways to further reduce the cost of sending money.

A recently approved project in Ecuador aims to bring remittances into the formal financial system by integrating regulated and unregulated credit unions, which cater to remittance recipients in rural areas, into the high-tech national payment system administered by the central bank.

Also in 2007, together with the International Fund for Agricultural Development (IFAD), MIF expanded the data available on remittances flows to extend worldwide the study "Sending money home: Worldwide remittances to developing countries", and a map produced by IFAD; the first one to show remittances on a worldwide basis and to highlight the rural share of these flows.

### Measuring for 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.

### Promoting Good Governance, Increased Transparency and Fighting Corruption

In 2007, the Donors Committee approved a $455,473 grant to improve competitiveness, the business environment, and the rule of law through transparency and access to government information in Mexico. For Brazil, a $1 million grant was approved to build and improve the technical quality of social participation in the regulatory process. Additionally, a $990,000 grant was approved to develop an independent oversight system for service quality in public works in Chile.

MIF continued to assist SMEs in improving their governance and management functions, with new projects approved in 2007 targeting SMEs in Argentina, Brazil, Colombia, Ecuador, Mexico, and Peru.



Note: IDB Fiscal Year: January 1–December 31; Internet website: www.iadb.org

# Inter-American Development Bank Group

## The Inter-American Investment Corporation (IIC) Request: $0.0M

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 FY 2009, the Administration is not requesting funding for the IIC.

## Key Facts

- The United States is the largest single shareholder in the IIC, with 20.47% 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 2007, the IIC approved 60 projects totalling $494.5 million. In 2007, the IIC met the 2004 Nuevo Leon Declaration goal to triple finance to small and medium enterprises by 2007; through September the IIC had net active approvals of $679 million. The IIC also doubled its assets from 2004 ($487 million) to $1.15 billion.

- Since its inception the IIC has approved 495 projects, totalling $3 billion. To date, the IIC has disbursed over $233.2 million for equity investments (directly to SMEs or financial institutions and also to SMEs through private equity funds).

## Supporting U.S. Policy Priorities

### Managing for Results

The 2006-2010 Business Plan introduced a new approach to managing the IIC's portfolio, which is based on a financial return dimension and a development effectiveness dimension. This includes a rating for each project, made up of eleven factors, including economic impact, environmental and social impacts, and IIC's additionality in financing the project. IIC management has also introduced four additional supervision indicators to the portfolio that balance the asset mix between high-additionality/low financial return and vice versa, and efficiency targets for administrative expenses.

In 2006, the IDB's independent evaluation department (OVE) conducted an evaluation of 2005 lending against the MDB External Cooperation Group (ECG) standards for private sector projects and noted significant progress by the IIC in implementing both OVE and ECG recommendations. Development outcomes for the 2005 sample of projects showed that 65% evidenced high development outcomes versus 44% the previous year.

### Private Sector Development – Small and Medium Enterprises and Microfinance

The IIC is the only multilateral development institution focused solely on SMEs. In 2007, the IIC reached $1 billion in assets, triple the amount of assets five years ago. Sixty loan and equity investments for nearly



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$500 million were approved during the year. The IIC posted a net profit for the fifth year in a row, reversing the losses incurred during the 2001-02 financial crisis in the region.

Also as part of the U.S. Government's Small Business Initiative, announced by Treasury Secretary Paulson in June 2007, the IIC is working with institutions that are receiving technical assistance from the MIF to provide funds for on-lending for SMEs.

Other examples of SME projects include:

- Chile: The IIC financed $10 million in fixed assets and working capital to increase production in the salmon industry and decrease the concentration of salmon production in the Island of Chiloé by promoting the development of the salmon industry in Chile's Region XI, where development and investment levels are low.

- Nicaragua: A $3 million loan for on-lending to micro and SMEs in Nicaragua under the Nuevo Leon initiative.

- The Board authorized local currency lending to SMEs. At the end of 2007, the IIC has nine outstanding operations in local currency. This included a local currency loan for the equivalent of up to $7 million for on-lending to provide small and medium-size Peruvian companies.

Also to assist SME development and to reach under-served markets in the smallest economies, the IIC created a program, which provides a methodology for local universities to rate SMEs, and provides financing from local and international banks to these companies based on their scores. After piloting the initiative in Chile and Bolivia, the IIC expanded this program in 2007 to seven countries in Central America and the Dominican Republic.

# 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 FY 2000, the United States made the final payment for its subscription to the Bank's last general capital increase (GCI4).

For FY 2009, 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 2007, the AsDB approved $8.2 billion from the OCR window, which includes rapidly growing private sector assistance amounting to $1.7 billion. The AsDB also provided $243.4 million for 242 technical assistance projects in 2007.

- By volume, the OCR is focused on the road transport sector projects (37% of the total), followed by energy (15%), finance (14%), and multisector projects (13%).

## Supporting U.S. Policy Priorities

### Managing for Development Results (MfDR)

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. AsDB reports biannually on progress of the results agenda. During the period from mid-2006 and through 2007, the AsDB also processed a total of 19 technical assistance projects to help more than 11 member countries provide data and build capacity in tracking results. While the AsDB needs to make further progress on implementing the MfDR agenda throughout the institution, some accomplishments the AsDB has made in 2007 on the results agenda include:

- Providing Support to Developing Member Country (DMC) capacity to manage for results: The AsDB-sponsored Community of Practice on MfDR has come to be acknowledged as an innovative approach to help build MfDR capacity at the country level in a sustainable manner and is now being replicated in Africa.

- Improving Institutional Effectiveness through Managing for Development Results: AsDB has con-



Note: AsDB Fiscal Year: January 1–December 31; Internet website: www.adb.org

tinued to improve the quality of design and monitoring frameworks and the positive trend has been verified by independent evaluation assessments. In 2007, the AsDB adopted a process to consolidate various reports and collate data into a single instrument, "The Development Effectiveness Review", with the first release due in 2008.

- In Vietnam, for example, the AsDB extended a $50 million loan to improve secondary education in the poorest regions of Vietnam. The project utilized broad consultation with target communities to identify the problems, propose solutions, and define the desired outcomes. The project includes clear indicators for tracking implementation and impact.

## Private Sector Development

With U.S. support, the AsDB has significantly expanded and diversified the scope and scale of its private sector activities. In 2007, 27 non-sovereign private and public sector projects (including loans, equity investments, and guarantees) were approved for $1.7 billion, which is an increase from $1.4 billion in 2006.

- In India, the AsDB extended a $90 million loan to the Tata Wind Energy Financing Facility. The facility will encourage private sector financing of renewable energy in India, thus reducing greenhouse gas emissions and expanding energy supply to poor households.

- In Pakistan, the AsDB made a $3 million equity investment in and issued a $44 million loan guarantee for the Daharki Power Project. The project will help alleviate power shortages in Pakistan in a way that utilizes clean-burning, indigenous fuel and encourages private participation in the energy sector.

- AsDB committed $500 million to the India Infrastructure Project Facility, which will catalyze private sector financing for critical infrastructure investments. The Bank's contribution is expected to leverage five to seven times as much financing from private financial institutions, equity firms and international donors.

## 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. The AsDB 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 Auditor General's Office investigates allegations of fraud and corruption. As a result of the investigations, as of end-2007, 398 firms and individuals have been disbarred and are ineligible to participate in AsDB-financed activities. The AsDB publishes annual reports of the Integrity Division on its website.

## Environmental Sustainability and Clean Energy

In 2007, 26 loan projects were approved with environmental sustainability as a theme and/or with clean energy components, with a combined loan amount of $1.3 billion. In addition, 85 technical assistance (TA) grants were approved with an environmental sustainability and/or clean energy focus, a total of $115 million in assistance.



Note: AsDB Fiscal Year: January 1–December 31; Internet website: www.adb.org

## 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 2007 report on accountability and transparency in international organizations compiled by an independent NGO rated the AsDB as one of three top performers among 30 assessed organizations.[1]

[1] 2007 Global Accountability Report compiled by One World Trust

# Asian Development Bank Group

## Asian Development Fund (AsDF) — Request: $115.3M

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, limited debt-repayment capacity, and limited access to financial markets 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 FY 2009, the Administration is requesting $115.3 million for the fourth installment of a four-year commitment under the agreement of the eighth replenishment of the AsDF (AsDF9). The U.S. total four-year commitment for AsDF9 of $461 million contributed to a total $7 billion replenishment, which will provide $1.55 billion in grant assistance. Negotiations for the next replenishment, AsDF10, have begun and are expected to conclude in May 2008.

## Key Facts

- The United States is a founding member of the AsDF. The United States' AsDF9 commitment accounted for 13.7% of total donor contributions, second only to Japan (35%).

- In 2007, the AsDF approved loans and grants of $2.4 billion. The largest sectoral recipients were the road sector (25%), followed by the urban infrastructure (10%) and education (8%) sectors.

- Currently, 34 countries are eligible to receive AsDF resources. The largest recipients of AsDF resources are Afghanistan, Bangladesh, Pakistan, and Vietnam.

## Supporting U.S. Policy Priorities

The United States achieved key policy objectives in the AsDF9 replenishment discussions that concluded in May 2004:

### Grants

For the first time, the AsDF agreed to implement a grants window in AsDF9 to enable the poorest and most debt vulnerable to receive much needed development assistance without contributing to unsustainable debt levels. A total of $1.04 billion (67% of the total $1.55 billion expected in AsDF9) has been approved for grants through 2007. Reflecting its priority to the United States and the AsDB, Afghanistan is the largest recipient of AsDF grants, receiving $176 million in 2007 ($600 million is expected during AsDF9). AsDF-financed projects in Afghanistan focus on rehabilitation and reconstruction of infrastructure, such as road networks and energy distribution, and capacity development and technical assistance for the government.



Note: AsDB Fiscal Year: January 1–December 31; Internet website: www.adb.org

## Alignment with IDA Grants Framework

The AsDB has substantially aligned the AsDF grants framework with that of IDA14, including adopting the debt sustainability framework (DSF) to determine eligibility and mechanisms to ensure resources are allocated efficiently.

## Disclosure of Country Performance Assessments

AsDF's performance-based allocation (PBA) system directly links country allocation with performance through the use of Country Performance Assessments (CPAs). Improved disclosure of information about the PBA system improves public accountability and the quality of assessments. In 2005, the AsDF adopted the policy of full public disclosure of a country's numerical performance ratings in the CPA.

## Measuring Results

At the country level, new Country Partnership Strategies (CPSs) are now results-based, which means more effective monitoring and evaluation processes and dissemination of best practices and lessons learned. AsDB reports biannually on progress of the results agenda, including for AsDF member countries. During the period from mid-2006 and through 2007, the AsDF also processed a total of 19 technical assistance projects to help 11 AsDF member countries provide data and other capacity in tracking results. The AsDB needs to make further progress on implementing the MfDR agenda throughout the institution.

The September 2007 CPS for the Maldives included a results framework that measures the impact of the AsDF's program and aligns its outcomes with the Maldives government's national development plan. The country strategy focuses on capacity development through technical assistance to support financial and economic management, structuring of public-private partnerships, and improving the enabling environment for private-sector growth.

## Governance, Supporting Good Performers and Fighting Corruption

The PBA system was further strengthened in AsDF9 by increasing the governance weight (from 30% to over 50%) in measuring country performance. In addition, Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) related programs are incorporated into financial sector and governance programs, and technical assistance. In 2007, financing for AML/CFT related reforms and developments were incorporated into three programs for Cambodia, Indonesia, and Vietnam, totaling $385 million.

## Weakly Performing Countries

The AsDB defines weakly performing countries (WPCs) as those developing member countries, which consistently rank in the fourth or fifth quintile of the Country Performance Assessment that the AsDB conducts as a part of the Performance Based Allocation System, or is a post-conflict country. This system seeks to distribute scarce donor resources to the neediest recipients without dilution of governance in measuring country performance. Total approved assistance to WPCs in 2007 was $570.1 million, or 24% of AsDF approved assistance. Grants comprised 55% of total assistance to WPCs in 2007. Key sectors for approved assistance to WPCs were road transport (44%), agriculture and natural resources (21%), and water transport (18%). Capacity building and improving governance are important factors in AsDF technical assistance to WPCs.

## 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 there were no performance indicators to measure results.



Note: AsDB Fiscal Year: January 1–December 31; Internet website: www.adb.org

# African Development Bank Group

## African Development Bank (AfDB) Request: $0.0 M

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 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 to be paid over 8 years ending in FY 2007.

For FY 2009, the Administration is not requesting any funding for the AfDB.

## 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 2007, the AfDB approved a total of $3.0 billion in loans, grants, and investments. Infrastructure accounted for nearly three-quarters of AfDB financing. The remaining financing covered operations for agriculture and rural development, industry, mining and quarrying, the social sectors, governance and economic reforms, and finance.

## Supporting U.S. Policy Priorities

### Managing for Results

In 2007, AfDB President Kaberuka introduced a set of Key Performance Indicators for each Vice-Presidency and department. The indicators are to guide the departments in executing the 2008 budget, providing managers with targets to be achieved with the use of funds from the budget and for which they will be held accountable. During 2007, the Bank implemented reforms to its internal business processes in order to focus operations more on achieving results. In particular, the processes for project appraisal and approval are being revamped to assure that all projects have appropriate results indicators.

Human resources reforms such as implementation of a new performance management system in 2008 will also support the transition to results-based management.

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.



Note: AfDB Fiscal Year: January 1–December 31; Internet website: www.afdb.org

## Private Sector Development

Private sector operations are becoming a more important component of the overall activities of the Bank. In 2007, the Bank far exceeded its target of $750 million for private sector financing, reaching over $1.1 billion by the end of the year. Resources for the private sector department are being significantly scaled up.

In 2007, the Bank's engagement in infrastructure represented 71% of new financing ($1.7 billion). Most of this was for the transport and power sectors that are crucial for private sector development.

The Bank also agreed to host the Investment Climate Facility, a platform for coordinated efforts among donors to support reforms in African countries meant to improve the environment for business and investment.

## Good Governance and Fighting Corruption

In April 2007, the AfDB adopted a whistle-blower policy which covers Bank staff, project contractors and their employees. Drafted at the United States' urging, the procedures protect whistle-blowers from retaliation and are the most far-reaching of any now in force among the MDBs. The AfDB has strengthened its Anti-Fraud and Corruption investigation division, which has established a secure hotline to handle whistle-blower complaints, built up an investigative team, and begun training programs to raise awareness of Bank rules and regulations regarding corruption and fraud.

In October 2007, the AfDB Board approved an Anti-Money Laundering strategy to bring the Bank's practices in line with the Financial Action Task Force (FATF) and other internationally recognized standards to combat money-laundering and terrorist financing.

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 mid-2008. This work is being carried out under the leadership of the Department of Governance, Economic and Financial Sector Management, created in 2006.

## Improving Transparency

In response to the U.S.'s urging, the AfDB publicly releases the summaries of Board of Executive Directors' discussions through its website. As part of the recent AfDF replenishment, AfDB management has committed to post on the web project implementation progress reports.



Note: AfDB Fiscal Year: January 1–December 31; Internet website: www.afdb.org

# African Development Bank Group

## African Development Fund (AfDF) Request: $156.1M

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 infrastructure, health, education, agriculture, water supply and sanitation, 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 FY 2009 the Administration is requesting $156.055 million for the first installment of a three-year commitment under the agreement for the eleventh replenishment of the AfDF (AfDF11). The U.S. total three-year commitment for AfDF11 of $468.165 million is part of an $8.9 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 2007. In the current AfDF11 replenishment, the U.S. share is 8.7% (behind the UK, Germany and France).

- In 2007, the AfDF approved projects totalling $1.9 billion, of which $390 million were grants. This financing focused on transport (36%); energy (34%) and water supply and sanitation (8%).

- Currently 40 African countries are eligible for AfDF financial support, which has amounted to $27 billion since 1974.

## AfDF11 Replenishment

In 2007, the United States participated in the eleventh replenishment of the African Development Fund and secured a series of key policy improvements. AfDF11 maintains the centrality of performance in the allocation of funding resources while improving the implementation of the PBA system.

### Managing for Results

U.S. insistence on making further progress towards managing for results led to the development of a results framework that will guide AfDF's operations during the 2008-2010 period. This framework sets out concrete targets for achieving development outcomes (e.g. rate of household electrification) and institutional performance (e.g. rate of project supervision). Results will be measured at the country, regional and institutional levels.

### Fragile States

AfDF11 establishes a special facility for additional funding for fragile states such as Liberia with demonstrated stability and political will for reform. Special treatment for fragile states will contribute to greater regional security and stability.



Note: AfDB Fiscal Year: January 1–December 31; Internet website: www.afdb.org

### Regional Integration

More resources will be made available for projects that will enhance regional integration. The approach to these kinds of projects will also change so as to assure greater ownership and commitment on the part of beneficiary countries.

## Supporting U.S. Policy Priorities

### Measuring Results

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

The AfDF11 results framework sets targets for development outcomes that align with AfDF's strategic priorities of infrastructure, governance, regional integration and private sector development. Additionally, there are targets that capture institutional performance in priority areas of project quality, project supervision, evaluation and field presence. AfDF management has committed to report regularly on progress towards these targets.

AfDF10 development results included improved irrigation for over 280,000 hectares of land; paving over 2,400 kilometers of road; providing electricity to over 700,000 households; and improving access to water and sanitation to over 1.5 million people.

### Promoting Private Sector Development and Building Infrastructure

In 2007 the Board approved an $8.8 million loan to a private company for the construction of a hydroelectric plant that will increase electricity generation in Madagascar by 10% at half of the cost of more traditional diesel fuel powered plants. The Bank also extended an $876,000 loan to support the creation of a stand-alone microfinance bank in Tanzania. In five years the new bank will have extended 24,000 loans to micro and small enterprises for an overall portfolio size of $28 million.

Infrastructure accounted for 67% of overall project approvals. Most of this was for the transport and power sectors that are crucial for private sector development. The AfDF also does analytic diagnostic work for private sector development, including private sector profiles prepared for Angola and Mozambique in 2007.

### Post-Conflict Assistance

The Board cleared Liberia's arrears in December and approved a grant that will support reconstruction and improvement to water and sanitation systems in Liberia's capital. During 2007, the AfDF Board approved grants to encourage stability and capacity building in other post-conflict countries as well. This included supporting new economic activities for demobilized soldiers in the Democratic Republic of Congo, training teachers and health clinic workers to provide services in the most fragile parts of Cote d'Ivoire, and providing governance capacity building in Angola.

### Good Governance and Fighting Corruption

The AfDB Group initiated a strategy last fall to support African countries' compliance with the Extractive Industries Transparency Initiative (EITI). The AfDF has provided grants for capacity building to several fragile but resource-rich countries to support their implementation of EITI commitments. The AfDF also provides funding to fight corruption, such as a 2007 grant to Angola to build budget and audit capacity.



Note: AfDB Fiscal Year: January 1–December 31; Internet website: www.afdb.org

### Improving Transparency

In response to urging by the United States, the AfDB publicly releases the summaries of Board of Executive Directors' discussions through its website. The AfDB Group management posts country strategy papers and some policy documents on the web prior to Board discussions, which is likely to increase stronger oversight. As part of the recent AfDF replenishment, AfDB management has committed to post on the web project implementation progress reports.

### 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," because there were no performance indicators to measure results.

## European Bank for Reconstruction and Development (EBRD) — Request: $0.0

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 the former communist countries of 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 FY 2009, the Administration requests no funding for the European Bank for Reconstruction and Development (EBRD).

## Key Facts

- The United States is the single largest shareholder in the EBRD with a 10% share.
- Since its inception, the EBRD has provided over $50 billion in financing for nearly 2,500 projects, contributing to investments in the region worth over $165 billion. In 2007, the EBRD committed $8.2 billion for new projects and disbursed $6 billion.[2]
- EBRD develops the private sector though loans and equity investments in private businesses and by mobilizing private capital alongside its own resources. The focus on private sector development is strong: 73% of its portfolio 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 fully 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 a commitment to "graduate" by the end of 2010 the eight countries of operation that joined the EU in 2004. The Czech Republic was the first to graduate, at the end of 2007.

## Supporting U.S. Policy Priorities

### Promoting Good Governance, Increased Transparency and Fighting Corruption

The Office of the Chief Compliance Officer (OCCO) has been further expanded, and issues such as integrity risk and reputational risk are receiving increased attention. In 2007, the OCCO continued to conduct internal/external integrity and AML training, implemented a new financial disclosure system (in line with the new Code of Conduct approved in 2006), and finalized the Bank's new definitions of fraud and corruption (in line with the cross-MDB harmonization effort). Looking forward, the OCCO's priorities will be to

[2] Based on USD / EUR exchange rate of $1.47/ 1.00.



Note: EBRD Fiscal Year: January 1–December 31; Internet website: www.ebrd.com develop an enforcement mechanism for fraud and corruption cases in private sector operations, to develop formal, written policies with respect to compliance and anti-corruption, and to review existing policies within its jurisdiction. The most recent Anti-Corruption Report is available at http://www.ebrd.com/about/integrity/report.pdf.

## Measuring Results

The EBRD monitors a project's transition impact by assessing conditions (1) prior to financing, (2) during project implementation, and (3) after project conclusion. In 2007, nearly 90% of new projects had a "potential transition impact" rating of good or excellent; this was above the official Bank target of 75%. Of projects completed between 1996 and 2006, 77% were rated Satisfactory, Good, or Excellent 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, the 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. These and other country strategies can be found at: http://www.ebrd.com/about/strategy/index.htm#country. As business environments improve, the EBRD engages more actively, resulting in more projects in a wider range of sectors. Should the business environment deteriorate in a country, the EBRD would be expected to scale back its level of engagement.

## Improving Disclosure and Transparency

The Bank plans to update its Public Information Policy along with its policies on the Environment and the Independent Recourse Mechanism in 2008. The United States will continue to push for policies that increase disclosure and engagement with interested parties in all shareholder countries, particularly the countries of operation.

## Promoting US Foreign Policy Objectives

The United States has continually pressed for the EBRD's resources to be focused where they can have the greatest impact. In this respect, the United States has been a strong supporter of two regional initiatives. The first, the Early Transition Countries Initiative (ETCI), was established in 2003 to focus the Bank's resources on Moldova, Georgia, Armenia, Azerbaijan, the Kyrgyz Republic, Tajikistan, Uzbekistan (to the extent possible within the constraints of the restricted country strategy), and, more recently, Mongolia, which became a country of operation in 2006. The number of operations signed in ETCI countries has steadily increased from 18 in 2003 to 105 operations for 2007. In 2007, EBRD operations in these eight ETCs were 7.4% of the volume and 30% of the overall number of transactions. The EBRD created a similar initiative for the Western Balkans in 2006 for Albania, Bosnia and Herzegovina, FYR Macedonia, Montenegro and Serbia (including Kosovo). This initiative will be particularly important as Kosovo has declared independence.



Note: EBRD Fiscal Year: January 1–December 31; Internet website: www.ebrd.com

## International Fund for Agricultural Development (IFAD) Request: $18.0M

The International Fund for Agricultural Development (IFAD), established in 1977, is the only multilateral development institution focused exclusively on reducing rural poverty and hunger. 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. IFAD's mission is of critical importance to the global fight against poverty as 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.

Negotiations for IFAD's eighth replenishment (IFAD8) will take place from February through December 2008. For FY 2009, the Administration requests $18.0 million for the third of three equal payments to IFAD7, the current replenishment period.

## 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.

- IFAD's current portfolio of 222 projects and programs represents an IFAD investment of $3.6 billion, which assists approximately 80 million poor rural men and women. In the past 29 years, IFAD has reached over 300 million rural poor in about 115 countries through 738 projects with IFAD financing of $9.6 billion and cofinancing of $16.2 billion.

- In 2007, IFAD committed $596 million in loans and grants for 35 investment projects ($463 million in loans, $103 million in grants) and 58 smaller grant projects ($29.3 million), including for agricultural research to benefit developing countries.

## Supporting U.S. Policy Priorities

### Improving IFAD's Development Effectiveness

U.S. leadership in IFAD7 led to key IFAD reform commitments to improve IFAD's efficiency and development effectiveness. Management has demonstrated a solid record in implementing these reforms. Highlights during 2007 include:

- Further strengthening of IFAD's performance-based allocation system: eliminating previously fixed regional allocations, which enables more resources to flow to better performers; and using countries' rural population rather than total population in the resource allocation formula, which will direct more resources to higher performing countries with larger numbers of rural poor.

- Presentation of IFAD's first Report on Development Effectiveness, which showed across the board improvement in terms of organizational efficiency and development effectiveness compared with a baseline established in 2003.

- Approval of new policies and strategies for targeting, innovation, and knowledge management.



Note: IFAD Fiscal Year: January 1–December 31; Internet website: www.ifad.org

- Establishment of new project quality enhancement and quality assurance systems to improve the quality and development impact of projects presented to the Executive Board.

- Greater direct supervision of projects by IFAD, rather than third-party contractors, which will improve project oversight, implementation, and results.

## Managing for Results and Increasing Transparency

During 2007, IFAD took important action to improve its ability to target, measure, and report on development results.

- IFAD's Executive Board approved a Results Measurement Framework that will enable the Board to monitor progress in achieving the objectives specified in IFAD's Strategic Framework. It will assess the quality, performance, and impact of IFAD's project portfolio by analyzing project quality and outcomes at three points during a project's lifecycle.

- IFAD country projects and programs are now designed as part of results-based country strategies, each of which includes country-level results frameworks with monitorable indicators and baseline data. IFAD's ability to target and measure achievement of its development objectives is improving due to these results-based strategies.

- IFAD's document disclosure policy places IFAD at the forefront of transparency among the MDBs with public disclosure of Board documents at the same time that the documents are distributed to the Board.

## Reducing Rural Poverty

Through its targeting policy, IFAD management seeks to ensure that its assistance reaches the neediest of the rural poor, who often live in remote, hard-to-reach areas, not supported by other donors. This 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.

- In India, the Rural Women's Development and Empowerment project contributed to an increase in average annual income of the targeted women by as much as 60% in real terms. It also helped establish 17,674 women's self-help groups, of which 85% are self-sustaining.

- An IFAD project in south-western Honduras benefited 11,800 rural farmers in 263 communities by organizing them into 503 producer groups and 226 community management committees. The project helped increase the farmers' grain productivity by 80%.

- An IFAD project in the Eastern region of Bhutan increased agricultural yields between 65% and 77% and the construction of rural roads increased market access by reducing transport and handling costs by 90%.

- Many IFAD operations help the rural poor adapt to climate change by improving their ability to manage their land and water resources. In Jordan, IFAD has helped farmers improve the harvesting of rainfall and to use treated wastewater to irrigate tree crops. This has made their farms more resilient to climate change and has increased the incomes of 40,000 people by an estimated 12%.



Note: IFAD Fiscal Year: January 1–December 31; Internet website: www.ifad.org

## 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 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 (four U.S. states), or in Mexico, within 300 km of the U.S.-Mexico border (six Mexican states).

For FY 2009, 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 $376 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 2007, NADBank approved 13 loans for $83.32 million and approved four grants for $3.72 million for environmental infrastructure projects.

- Cumulative financing approved by NADBank for environmental infrastructure projects through December 2007:

| | |
|---|---|
| Total loans: | *$337.4 million* |
| Market rate loans | $251.5 million |
| Low-interest rate facility (LIRF) loans | $ 85.9 million |
| Total grants: | *$ 84.5 million* |
| Solid waste environmental program (SWEP) grants | $ 6.8 million |
| Water conservation investment fund (WCIF) grants | $ 77.7 million |

- NADBank also administers EPA-funded Border Environment Infrastructure Fund (BEIF) grants. BEIF grants totaled $525.3 million through December 2007.



Note: NADB Fiscal Year: April 1–March 31; Internet website: www.nadb.org

## Supporting U.S. Policy Priorities

NADBank's portfolio grew considerably in 2007. Since 2006, NADBank has more than tripled its portfolio.

## Managing for Results

The establishment of a results measurement framework for project and institutional results remains a priority for the NADBank and BECC. In 2007, the Bank and BECC presented a framework for a Joint Proposal for Results Measurement and Strategic Planning. The framework included standardizing the balance scorecard currently used by the BECC and developing measurable results frameworks for each project. A final results measurement plan will be completed in early 2008.

## Supporting 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. The Bank's programs are designed to provide financial and technical assistance for the development of environmental infrastructure that is environmentally and financially sustainable. Many communities that the NADBank engages with do not have histories of good performance, and it is this lack of institutional and financial capacity that the Bank attempts to address.

- In Tecate, Baja California, Mexico, the Bank's participation in financing water and wastewater system improvements led to significant improvements in the local utility's financial capacity as well as the quality and level of water and wastewater service in the community. Today, potable water reaches 97% of the city's population, and the wastewater collection system reaches 90% of the city's population. In October 2007, the NADBank Board of Directors approved an additional loan for approximately $1 million for further expansion and improvements to Tecate's water and wastewater system.

- In the case of the City of Del Rio, Texas, assistance from the NADBank allowed for the city to recover from a devastating flood in 1998 that left 166 families homeless and further compromised the potable water system that was already under an enforcement order from the state environmental regulatory agency to construct a new potable water treatment plant. A $15.8 million BEIF grant allowed for Del Rio to construct the treatment plant. The administrative and management improvements required for compliance with the grant agreement have fostered fiscal and managerial improvements that benefit the community. Today, the City of Del Rio adequately provides potable water service to its residents affordably and in compliance with state regulations.

## Promoting Good Governance

Through its Institutional Development Cooperation Program (IDP) and Project Development Program (PDP), the NADBank helps local utilities perform studies and implement capacity-building measures necessary for the proper management and development of their systems. In 2007, $2.1 was committed to IDP and PDP projects. To date, a total of $16.27 million in grant funding has been committed through these programs to support 179 studies benefiting 80 border communities.

## Private Sector Development

PDP has funded two studies for private sector wind energy projects in Texas. The grants will support wind resource measurement and evaluation studies, an environmental impact analysis, operating permits processes, preconstruction design and testing, and BECC certification-public participation processes.



Note: NADB Fiscal Year: April 1–March 31; Internet website: www.nadb.org

# Treasury International Programs: FY 2009 Request

## Summary of Accounts

### Multilateral Development Banks

***International Development Association (IDA): the $1,277,000,000 request*** includes $1,235.0 million for the first of three payments to the fifteenth replenishment of IDA (IDA15) and $42.0 million to clear a portion of outstanding U.S. arrears to IDA, which will total $385.6 million at the end of FY 2008. The United States accomplished its major policy objectives in the IDA15 negotiations, including: more effective engagement in fragile states such as Afghanistan and Liberia; an expanded results measurement system that will demonstrate the effectiveness of IDA's development projects and programs and also will be used as a management tool; strengthening debt sustainability in debt relief countries; and progress towards greater transparency. The IDA15 request also includes funding necessary to meet the U.S. commitment to fund its share of the Multilateral Debt Relief Initiative (MDRI).

***Global Environment Facility (GEF): the $80,000,000 request*** is for the third of four payments to the fourth replenishment of the Global Environment Facility (GEF4). During the GEF4 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.

***International clean technology fund: the $400 million request*** is for a new multilateral fund that will address the growing problem of accelerating greenhouse gas emissions in major developing countries. This amount is the first year of funding out of a total pledge of $2 billion over three years. The United States is a lead donor to the fund, which will help ensure that developing countries deploy clean technology by helping to finance the additional cost of clean investments. The fund has three major objectives: first, to reduce emissions growth in major developing countries through faster deployment of clean technologies; second, to stimulate and leverage private sector investment in existing clean technologies; and third, to encourage developing countries to pursue environmentally sound policies to reduce greenhouse gas emissions.

***Multilateral Investment Fund (MIF): the $25,000,000 request*** is for the third of six payments to the first replenishment of the MIF (MIF2). 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 Inter-American Development Bank's procurement guidelines.

***Asian Development Fund (AsDF): the $115,250,000 request*** is for the fourth of four payments to the eighth replenishment of the AsDF (AsDF9). In the AsDF9 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 Fund (AfDF): the $156,055,000 request*** is for the first of three payments to the eleventh replenishment of the AfDF (AfDF11). Negotiations for AfDF11 concluded in December 2007 and U.S. leadership secured key objectives in the replenishment agreement, including: management for results system that includes a two-tiered results measurement framework to measure, monitor, and report on outcomes and outputs at the country, regional and institutional levels; maintaining the centrality of performance in the allocation of the Fund's resources; enhanced engagement in fragile states such as Liberia; scaling up the Fund's regional operations, focusing on critical infrastructure projects; and greater support for governance issues at the regional and country levels, as well as at institutional levels to fight corruption, increase transparency, and improve accountability. The AfDF11 request also includes funding necessary to meet the U.S. commitment to fund its share of the Multilateral Debt Relief Initiative (MDRI).

***International Fund for Agricultural Development (IFAD): the $18,000,000 request*** is for the third of three payments to the seventh replenishment of IFAD (IFAD7). Negotiations on IFAD7 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: the $141,000,000 request*** supports the cost of debt restructuring programs, of which $121,000,000 is for bilateral Heavily Indebted Poor Countries initiative (HIPC), poorest country debt reduction, and the HIPC Trust Fund programs and $20 million is for the Tropical Forest Conservation Act (TFCA). Funds are needed to cover the cost of canceling the remainder of the Democratic Republic of the Congo's (DRC) debt to the United States after the DRC reaches its Completion Point under the HIPC initiative. The United States Government is the largest creditor of the DRC; lack of U.S. participation in debt relief would likely cause other creditors to withhold their debt relief. Funding is also needed to satisfy the U.S. pledge for a contribution to the HIPC Trust Fund, and to cover the costs of TFCA debt agreements in support of tropical forest conservation.

## Treasury Technical Assistance Programs

***Treasury Technical Assistance: the $29,000,000 request*** supports costs of the technical assistance program, which provides highly experienced financial advisors to reform-minded developing countries, transitional economies, and nations recovering from conflict. The $8.765 million increase over the FY 2008 appropriations is justified by growing evidence of the importance of strong financial sectors and sound public financial management for the achievement of U.S. international policy priorities, and a growing need for Treasury technical assistance. Treasury assistance focuses on strengthening the financial and economic management capacity of aid recipient countries. Such capacity is essential for aid recipients to make effective use of foreign assistance, to reduce their vulnerability to economic shocks, terrorist financing and financial crime, and ultimately to eliminate their dependence on aid. This increase in funding will provide Treasury's Technical Assistance the ability to address significant needs in sub-Saharan Africa, the Greater Middle East, Asia, and Latin America.

# Authorization Requests for FY 2009

The Administration will be requesting authorization for replenishments of two concessional windows of the multilateral development banks (MDBs) – IDA15 and AfDF11 – and for a new international clean technology fund to be housed at the World Bank. The Administration continues to seek re-authorization of the Tropical Forest Conservation Act.

- ***International Development Association fifteenth replenishment (IDA15)***: requesting authorization for the U.S. contribution of $3,705,000,000 over the three-year period FY 2009–FY 2011, subject to obtaining the necessary appropriations.

- ***African Development Fund eleventh replenishment (AfDF11):*** requesting authorization for the U.S. contribution of $468,165,000 over the three year period FY 2009–FY 2011, subject to obtaining the necessary appropriations.

- ***International clean technology fund:*** requesting authorization for the U.S. contribution of $2,000,000,000 over the three-year period, FY 2009–FY 2011, subject to obtaining the necessary appropriations.

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

FY 2007-FY 2009 (Budget Authority; in $)

| | FY 2007 | FY 2008 | | FY 2009 | | |
|---|---|---|---|---|---|---|
| | Approp. | Total Request | Approp. | Annual Commit. | Arrears Request | Request |
| **Multilateral Development Banks (MDBs):** | | | | | | |
| World Bank Group | | | | | | |
| IBRD | 0 | 0 | 0 | 0 | | |
| IDA | 940,500,000 | 1,060,000,000 | 942,305,000 | 1,235,000,000 | 42,000,000 | 1,277,000,000 |
| MIGA | 0 | 1,082,000 | 0 | 0 | 0 | 0 |
| IFC | 0 | 0 | 0 | 0 | 0 | |
| **International Clean Technology Fund** | | | | | | 400,000,000 |
| **Global Environment Facility** | 79,200,000 | 106,763,000 | 81,100,720 [2] | 80,000,000 | 0 | 80,000,000 |
| **Inter-American Development Bank** | | | | | | |
| IDB | 0 | 0 | 0 | 0 | | |
| IDB/FSO | 0 | 0 | 0 | 0 | | |
| IIC | 0 | 7,264,000 | 0 | 0 | 0 | 0 |
| MIF | 1,724,100 | 29,232,000 | 24,797,500 | 25,000,000 | 0 | 25,000,000 |
| **Asian Development Bank** | | | | | | |
| AsDB | 0 | 0 | 0 | 0 | | |
| AsDF | 99,000,000 | 133,906,000 | 74,544,261 | 115,250,000 | 0 | 115,250,000 |
| **African Development Bank** | | | | | | |
| AfDB | 3,601,620 | 2,036,730 | 2,020,500 [2] | 0 | 0 | 0 |
| AfDF | 134,343,000 | 140,584,113 | 134,584,960 | 156,055,000 | 0 | 156,055,000 |
| **European Bank for Reconstruction and Development** | 0 | 10,157 | 10,077 [2] | 0 | | |
| **North American Development Bank** | 0 | 0 | 0 | 0 | | |
| **Int'l Fund for Agricultural Development** | 14,850,000 | 18,072,000 | 17,925,617 | 18,000,000 | 0 | 18,000,000 |
| **Total MDBs** | 1,273,218,720 | 1,498,950,000 | 1,277,288,635 | 1,629,305,000 | 42,000,000 | 2,071,305,000 |
| **Debt Restructuring:** | | | | | | |
| **HIPC TOTAL, of which:** | 44,550,000 | 187,300,000 | 10,216,570 | | | 121,000,000 |
| Bilateral Debt Reduction | | | | | | |
| HIPC Trust Fund | | | | | | |
| Tropical Forest Conservation Act (TFCA) | 19,800,000 | 20,000,000 | 19,838,000 | | | 20,000,000 |
| **Total Debt Restructuring** | 64,350,000 | 207,300,000 | 30,054,570 | | | 141,000,000 |
| **Technical Assistance** | 19,800,000 [1] | 24,800,000 | 20,234,760 | | | 29,000,000 |
| **TOTAL TREASURY INTERNATIONAL ACCOUNTS** | 1,357,368,720 | 1,731,050,000 | 1,327,577,965 | | | 2,241,305,000 |

*Note: The FY 2007 enacted Continuing Resolution (P.L. 110-5) rescinded $31,350,000 of amounts withheld from FY 2006 appropriations.*

[1] For FY 2007, Treasury Technical Assistance received a supplemental of $2,750,000.

[2] Includes arrears: $1,100,720 for the GEF; $2,020,500 for the AfDB; and $10,077 for the EBRD.

# (Table 6 ) Summary of Arrears
# Treasury International Programs
# Multilateral Development Banks

FY 2000 - FY 2008

(Budget Authority; in $)

| | Arrears | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | end-FY 2001 | end-FY 2002 | end-FY 2003 | end-FY 2004 | end-FY 2005 | end-FY 2006 | end-FY 2007 | end-FY 2008 |
| Multilateral Development Banks (MDBs) | | | | | | | | |
| International Bank for Reconstruction and Development | | | | | | | | |
| International Development Association | 62,275,000 | 73,015,000 | 78,540,000 | 120,727,880 | 327,527,880 | 337,027,880 | 377,877,880 | 385,572,880 |
| Multilateral Investment Guarantee Agency | 6,022,000 | 10,892,087 | 9,271,689 | 8,154,321 | 8,154,321 | 6,867,321 | 6,867,321 | 6,867,321 |
| International Finance Corporation | | | | | | | | |
| Global Environment Facility | 203,937,600 | 210,937,600 | 171,585,848 | 140,668,364 | 141,528,364 | 169,828,364 | 170,628,364 | 169,527,644 |
| Inter-American Development Bank | | | | | | | | |
| IDB Fund for Special Operations | | | | | | | | |
| Inter-American Investment Corporation | 9,055,000 | 16,055,000 | 22,822,619 | 47,822,619 | 47,822,619 | 46,098,519 | 46,098,519 | 46,098,519 |
| Multilateral Investment Fund | 88,772,000 | 88,772,000 | 64,341,172 | 39,488,672 | 28,576,672 | 26,852,572 | 50,128,472 | 50,330,972 |
| Asian Development Bank | | | | | | | | |
| Asian Development Fund | 128,175,450 | 133,158,400 | 138,908,527 | 98,339,611 | 102,139,611 | 118,389,611 | 134,639,611 | 175,345,350 |
| African Development Bank | 13,420 | 13,420 | 42,126 | 67,315 | 619,934 | 2,036,730 | 3,453,526 | 1,433,026 |
| African Development Fund | 220,000 | 220,000 | 10,849,144 | 16,789,221 | 29,637,211 | 30,994,211 | 32,351,211 | 33,466,251 |
| European Bank for Reconstruction and Development | | | 232,732 | 441,776 | 725,225 | 10,157 | 10,157 | 0 |
| North American Development Bank | | | | | | | | |
| International Fund for Agricultural Development | 11,000 | 11,000 | 104,857 | 189,339 | 309,339 | 459,339 | 3,609,339 | 3,683,722 |
| **TOTAL BUDGET AUTHORITY** | **498,481,470** | **533,074,507** | **496,698,714** | **472,689,118** | **687,041,176** | **738,564,704** | **825,664,400** | **872,325,685** |